

ZF MGCAWU DISTRICT MUNICIPALITY



2014/2015

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2015

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

INDEX

NO	CONTENTS	PAGE
1	General Information and Approval of Annual Financial Statements	3
2	Members of the Council	5
3	Foreword	7
4	Audit Report	8
5	Report of the Chief Financial Officer	12
6	Statement of Financial Position	17
7	Statement of Financial Performance	18
8	Statement of Changes in Net Assets	19
9	Cash Flow Statement	20
10	Statement of Comparison of Budget and Actual Amounts	21
11	Accounting Policies	36
12	Notes to the Annual Financial Statements	56
Appendixes:		
13	A Schedule of External Loans	94
14	B Analysis of Property, Plant and Equipment	95
15	C Segmental Analysis of Capital Assets	96
16	D Segmental Statement of Financial Performance	97
17	E (1) Reconciliation of budgeted financial performance by standard classification	98
18	E (2) Reconciliation of budgeted financial performance by municipal vote	99

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

INDEX (continued)

NO	CONTENTS	PAGE
19	E (3) Reconciliation of budgeted financial performance	100
20	E (4) Reconciliation of budgeted capital expenditure	101
21	E (5) Reconciliation of budgeted cash flows	102
22	F Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	103
23	G Statement of remuneration of management	104
24	H Ratio Analysis	106

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION

EXECUTIVE MAYOR

G. van Staden

SPEAKER

Z.S. Mjila (Deceased: 12/06/2015)

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor: G. van Staden

Councillors: B. Sinxeve
P. Wetbooi
P.M.Mgcera
G.H. Mothibi

GRADING OF THE LOCAL AUTHORITY

Grade 3

AUDITORS

External – Auditor General (Kimberley Business Unit)
Internal – Internal Audit Unit

PRIMARY BANKER

ABSA

REGISTERED OFFICE

c/o Upington 26 Avenue & Dr Nelson Mandela Drive
Upington
8801

Private Bag X6039
Upington
8800

Telephone: (054) 337 2800
Facsimile: (054) 337 2888

E-Mail: admin@zfm-dm.gov.za
Website: <http://www.zfm-dm.co.za>

MUNICIPAL MANAGER

E. Ntoba

ACTING CHIEF FINANCIAL OFFICER

A. Kitching

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

GENERAL INFORMATION (continued)

REVIEW OF FINANCIAL STATEMENTS

The Annual Financial Statements were reviewed by the Audit Committee, Internal Audit Unit, MPAC and Management before it was approved by the Municipal Manager and Chief Financial Officer.

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 108, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information on 31 August 2015.



E. Ntoba
MUNICIPAL MANAGER
31 August 2015



A. Kitching
ACTING CHIEF FINANCIAL OFFICER
31 August 2015

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

MEMBERS OF THE COUNCIL

COUNCILLORS		PROPORTIONAL COUNCILLORS
G. van Staden	ANC	Commencement: 03/06/2011
Z.S. Mjila	ANC	Commencement: 03/06/2011 Deceased: 12/06/2015
B. Sinxeve	ANC	Commencement: 03/06/2011
G. H. Mothibi	ANC	Commencement: 03/06/2011
P.M. Mgcera	ANC	Commencement: 03/06/2011
A. M. van Wyk	DA	Commencement: 12/11/2014
C. Tieties	DA	Commencement: 03/06/2011
P.M. Kotze	DA	Commencement: 03/06/2011
P. Wetbooi	ANC	Commencement: 03/06/2011
K. Dodds	ANC	Commencement: 03/06/2011
M. Oliphant	ANC	Commencement: 03/06/2011
M. Mabilo	TCF	Commencement: 03/06/2011
J. Assegai	DA	Commencement: 03/06/2011
D.Z Ntlanganiso	ANC	Commencement: 01/02/2013
S.P. May	ANC	Commencement: 03/06/2011
E. Mnyaka	ANC	Commencement: 03/06/2011
J. Thomas	COPE	Commencement: 01/07/2012
A. de Bruin	COPE	Commencement: 01/06/2014
A. Isaacs	ANC	Commencement: 03/06/2011
B. Bock	ANC	Commencement: 03/06/2011
J. Joseph	DA	Commencement: 20/08/2013

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 38608 dated 25/03/2015. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.



E. Ntoba
MUNICIPAL MANAGER
31 August 2015

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

FOREWORD

During the 2014/15 financial year the municipality was under severe pressure to ensure compliance to various changes in legislation and continue with implementation of Generally Recognised Accounting Practice (GRAP) standards. The municipality was however able to meet the challenges set by a changing legislative and accounting environment.

The total budget for municipalities on the Municipal Infrastructure Grant in the district amounted to R85 539 000. The Municipal Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to municipalities. The key principles of the MIG are:

- a) Focus on infrastructure required for a basic level of service: The MIG programme is aimed at providing only basic infrastructure.
- b) Targeting the poor: The programme is aimed at providing services to the poor and funds will therefore be targeted to reach them.
- c) Creating employment

Appropriate planning has to take the realities and needs of the people and the conditions of different locations into account. The role of the District Municipality is to ensure that the local municipalities spend all their funds on projects that will benefit the communities.

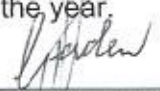
Essentially local municipalities are expected to spend their funds in an accountable manner to ensure that they improve their audit outcomes.

All our support efforts as stipulated in Section 83 of the Municipal Structures Act are geared towards ensuring that local municipalities migrate from negative audit outcomes to more positive outcomes.

Although capital projects were limited to those financed from external grant funding the Municipality has successfully implemented the projects identified in the Integrated Development Plan / Budget for 2014/15 financial year. The Municipality will continue in the 2015/16 financial year to implement incomplete projects for the previous financial year and those projects identified in the IDP / Budget for the current year.

Service delivery and the eradication of infrastructure backlogs remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of our people.

I hereby wish to thank the members of the Mayoral Committee and Council together with staff for their commitment during the year, ensuring that we meet the set targets for the year.



G. van Staden
EXECUTIVE MAYOR
31 August 2015

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of ZF Mgcawu District Municipality at 30 June 2015 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2015 indicates a decrease in Net Assets, a decrease in Non-current Liabilities and an increase in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account.

The decrease in Non-current Liabilities is primarily as a result of the decrease in Long-term Liabilities. The increase in Current Liabilities is primarily as a result of the increase in Payables from Exchange Transactions and Unspent Conditional Grants and Receipts.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

Financial Statement Ratios:

INDICATOR	2015	2014
Surplus / (Deficit) before Appropriations	(4 967 792)	(8 807 347)
Surplus / (Deficit) at the end of the Year	(8 254 145)	(3 286 353)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	66.23%	55.95%
Remuneration of Councillors	5.46%	4.84%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	1.57%	1.71%
Impairment Losses	1.08%	2.13%
Repairs and Maintenance	0.96%	0.98%
Interest Paid	0.21%	0.35%
Bulk Purchases	0.00%	0.00%
Contracted Services	0.05%	0.13%
Grants and Subsidies Paid	6.87%	5.87%
General Expenses	17.39%	16.84%
Loss on Disposal of Property, Plant and Equipment	0.19%	11.22%

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R780 160 (2013/14: R1 736 716). Full details of Assets are disclosed in the Annual Financial Statement Notes 5, 6 and Appendices "B, C and E (4)".

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

REPORT OF THE CHIEF FINANCIAL OFFICER

The capital expenditure of R780 160 was financed as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Grants and Subsidies	780 160	1 736 716	(55.08)	1 203 500	(35.18)
	780 160	1 736 716	(55.08)	1 203 500	(35.18)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2015	2014
Grants and Subsidies	100.00%	100.00%
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the Municipality does not have the financial resources to finance capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2015	2014
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	2 018 333	2 013 389
Revenue variances	(4 901 290)	(3 936 553)
Expenditure variances:		
Employee Related Costs	(2 593 652)	(836 026)
Remuneration of Councillors	(99 162)	59 175
Depreciation and Amortisation	(60 544)	(153 327)
Impairment Losses	(628 727)	(40 000)
Repairs and Maintenance	(48 859)	66 874
Interest Paid	6 095	10 100
Contracted Services	2 385	(125)
Grants and Subsidies Paid	1 034 619	163 302
General Expenses	411 634	543 650
Loss on disposal of Property, Plant and Equipment	(108 623)	(6 697 806)
Actual surplus / (deficit) before appropriations	(4 967 792)	(8 807 347)

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015
REPORT OF THE CHIEF FINANCIAL OFFICER

DETAILS	2015	2014
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	2 018 333	2 013 389
Executive and Council	(581 539)	(2 123)
Budget and treasury office	(5 229 808)	(4 614 871)
Corporate services	(1 237 271)	91 013
Municipal support	62 493	(6 294 754)
Actual surplus / (deficit) before appropriations	(4 967 792)	(8 807 347)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Statement of Comparison of Budget and Actual Amounts.

5.2 Capital Budget:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Variance actual 2014/15 / 2013/14 R	Budgeted 2014/15 R	Variance actual/ budgeted R
Executive and Council	126 820	77 017	49 803	130 000	(3 180)
Budget and treasury office	-	836 852	(836 852)	415 000	(415 000)
Corporate services	300 606	323 422	(22 816)	304 500	(3 894)
Municipal support	352 734	499 426	(146 691)	354 000	(1 266)
	780 160	1 736 716	(956 556)	1 203 500	(423 340)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of significant variances of more than 5% from budget, are included in Appendix "E (4)".

6. ACCUMULATED SURPLUS / (DEFICIT)

The balance of the Accumulated Deficit as at 30 June 2015 amounted to R8 254 145 (30 June 2014: R3 286 353) and is made up as follows:

	2015 R	2014 R
Accumulated Surplus / (Deficit)	(8 254 145)	(3 286 353)
	(8 254 145)	(3 286 353)

Refer to Note 15 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities (including short-term portion) as at 30 June 2015 was R579 311 (30 June 2014: R1 473 760).

Refer to Note 13 and Appendix "A" for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

REPORT OF THE CHIEF FINANCIAL OFFICER

		2015	2014
		R	R
8. EMPLOYEE BENEFIT LIABILITIES			
Retirement Benefit Liability	Note 14.1	19 048 507	19 078 437
Provision for Long-term Service	Note 14.2	1 312 868	1 288 077
		20 361 375	20 366 514

The Retirement Benefit Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Provision for Long-term Service are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 14 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R12 898 782 as at 30 June 2015 (30 June 2014: R10 475 485) and is made up as follows:

Provisions	Note 8	1 991 097	2 129 396
Payables from Exchange Transactions	Note 9	7 462 882	4 923 642
Taxes and Transfers Payable	Note 10	-	1 689 094
Unspent Conditional Grants and Receipts	Note 11	2 969 902	843 265
Current Portion of Long-term Liabilities	Note 13	474 901	890 087
		12 898 782	10 475 485

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months).

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R23 981 399 as at 30 June 2015 (30 June 2014: R24 212 254).

Refer to Note 5 and Appendices "B, C and E (2)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets was R132 757 as at 30 June 2015 (30 June 2014: R151 625).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 6 and Appendix "B" for more detail.

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

REPORT OF THE CHIEF FINANCIAL OFFICER

		2015	2014
		R	R
12. CURRENT ASSETS			
Current Assets amounted R915 776 as at 30 June 2015 (30 June 2014: R3 697 701) and is made up as follows:			
Receivables from Exchange Transactions	Note 2	323 915	133 729
VAT Receivable	Note 3	482 384	247 353
Cash and Cash Equivalents	Note 4	104 995	3 307 352
Current Portion of Finance Lease Receivables	Note 7	4 482	9 267
		<u>915 776</u>	<u>3 697 701</u>

The decrease in the amount for Current Assets is mainly due to the decrease in Cash and Cash Equivalents.

Refer to the indicated Notes for more detail.

13. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 45.

14. GOING CONCERN ASSESSMENT

Full details of management's going concern assessment are disclosed in Note 47.

15. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Mayoral Committee, Councillors, MPAC, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Financial Services Directorate, for without their assistance these Annual Financial Statements would not have been possible.



A. Kitching

ACTING CHIEF FINANCIAL OFFICER

31 August 2015

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

		Actual	
	Note	2015 R	2014 R
ASSETS			
Current Assets		915 776	3 697 701
Receivables from Exchange Transactions	2	323 915	133 729
VAT Receivable	3	482 384	247 353
Cash and Cash Equivalents	4	104 995	3 307 352
Current Portion of Finance Lease Receivables	7	4 482	9 267
Non-Current Assets		24 194 646	24 441 617
Property, Plant and Equipment	5	23 981 399	24 212 254
Intangible Assets	6	132 757	151 625
Finance Lease Receivables	7	80 489	77 738
Total Assets		25 110 422	28 139 318
LIABILITIES			
Current Liabilities		12 898 782	10 475 485
Provisions	8	1 991 097	2 129 396
Payables from Exchange Transactions	9	7 462 882	4 923 642
Taxes and Transfers Payable	10	-	1 689 094
Unspent Conditional Grants and Receipts	11	2 969 902	843 265
Current Portion of Long-term Liabilities	13	474 901	890 087
Non-Current Liabilities		20 465 785	20 950 186
Long-term Liabilities	13	104 410	583 672
Employee Benefit Liabilities	14	20 361 375	20 366 514
Total Liabilities		33 364 566	31 425 671
Total Assets and Liabilities		(8 254 145)	(3 286 353)
NET ASSETS		(8 254 145)	(3 286 353)
Accumulated Surplus / (Deficit)	15	(8 254 145)	(3 286 353)
Total Net Assets		(8 254 145)	(3 286 353)

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Note	Actual 2015 R	2014 R
REVENUE			
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	16	52 502 364	50 251 446
Public Contributions	17	-	2 500 000
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	18	44 594	33 348
Interest Earned - External Investments	19	305 804	456 659
Interest Earned - Outstanding Debtors	19	4 293	219 337
Other Income	20	594 156	1 383 681
Total Revenue		53 451 210	54 844 471
EXPENDITURE			
Employee Related Costs	21	38 692 654	35 612 787
Remuneration of Councillors	22	3 190 198	3 077 604
Depreciation and Amortisation	23	917 578	1 086 515
Impairment Losses	24	628 727	1 354 106
Repairs and Maintenance	25	562 942	621 732
Finance Costs	26	120 317	219 900
Contracted Services	27	27 615	85 125
Grants and Subsidies Paid	28	4 010 881	3 737 513
General Expenses	29	10 159 466	10 716 684
Loss on Disposal of Assets	30	108 623	7 139 852
Total Expenditure		58 419 002	63 651 818
SURPLUS / (DEFICIT) FOR THE YEAR		(4 967 792)	(8 807 347)

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

Description	Revaluation Reserve	Accumulated Surplus / (Deficit) Account	Total for	Total
		Accumulated Surplus / (Deficit)	Accumulated Surplus/(Deficit) Account	
2014	R	R	R	R
Balance at 30 June 2013	-	6 630 662	6 630 662	6 630 662
Correction of Error (Note 32)	-	(1 109 669)	(1 109 669)	(1 109 669)
Restated Balance	-	5 520 993	5 520 993	5 520 993
Published Surplus / (Deficit) for the year		(8 857 014)	(8 857 014)	(8 857 014)
Balance at 30 June 2014	-	(3 336 020)	(3 336 020)	(3 336 020)
Correction of Error (Note 32)	-	49 667	49 667	49 667
Restated Balance at 30 June 2014	-	(3 286 353)	(3 286 353)	(3 286 353)
2015				
Surplus / (Deficit) for the year		(4 967 792)	(4 967 792)	(4 967 792)
Balance at 30 June 2015	-	(8 254 145)	(8 254 145)	(8 254 145)

ZF MGCAWU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	Actual 2015 R	2014 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Grants		54 629 000	49 898 668
Public Contributions	17	-	2 500 000
Rental Of Facilities And Equipment	18	44 594	33 348
Interest Received	19	310 097	675 996
Other Income		(455 003)	3 506 643
Payments			
Employee Related Costs		(38 773 469)	(35 516 073)
Remuneration of Councillors	22	(3 190 198)	(3 077 604)
Interest Paid	26	(120 317)	(219 900)
Suppliers Paid		1 948 683	(1 260 904)
Other Payments		(15 922 063)	(15 824 299)
NET CASH FLOWS FROM OPERATING ACTIVITIES		(1 528 677)	715 877
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	5	(720 290)	(1 650 420)
Purchase of Intangible Assets	6	(59 871)	(86 296)
Proceeds on Disposal of Property, Plant and Equipment	30	3 680	488 000
Decrease / (Increase) in Finance Lease Receivables	7	(2 752)	7 218
Property, Plant and Equipment transferred to Assets-Held-For-Sale	31	-	2 200 000
Assets-Held-For-Sale transferred to Property, Plant and Equipment	31	-	(2 200 000)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(779 232)	(1 241 498)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	13	(894 449)	(1 090 781)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(894 449)	(1 090 781)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT:	4	(3 202 358)	(1 616 403)
Cash and Cash Equivalents at Beginning of Period		3 307 352	4 923 755
Cash and Cash Equivalents at End of Period		104 995	3 307 352

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2015
 FINANCIAL POSITION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Current Assets											
Receivables from Exchange Transactions	-	-	-	-	-	-	323 915	-	323 915	0.00	0.00
VAT Receivable	-	-	-	-	-	-	482 384	-	482 384	0.00	0.00
Cash and Cash Equivalents	7 000 000	-	7 000 000	-	-	7 000 000	104 995	-	(6 895 005)	1.50	1.50
Current Portion of Finance Lease Receivables	8 000	-	8 000	-	-	8 000	4 482	-	(3 518)	56.02	56.02
Non-Current Assets											
Property, Plant and Equipment	32 300 000	(3 390 000)	28 910 000	-	-	28 910 000	23 981 399	-	(4 928 601)	82.95	74.25
Intangible Assets	-	-	-	-	-	-	132 757	-	132 757	0.00	0.00
Finance Lease Receivables	70 000	-	70 000	-	-	70 000	80 489	-	10 489	114.98	114.98
Total Assets	39 378 000	(3 390 000)	35 988 000	-	-	35 988 000	25 110 422	-	(10 877 578)	69.77	63.77
Current Liabilities											
Provisions	1 890 000	-	1 890 000	-	-	1 890 000	1 991 097	-	101 097	105.35	105.35
Payables from Exchange Transactions	4 500 000	-	4 500 000	-	-	4 500 000	7 462 882	-	2 962 882	165.84	165.84
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	2 969 902	-	2 969 902	0.00	0.00
Current Portion of Long-term Liabilities	250 000	-	250 000	-	-	250 000	474 901	-	224 901	189.96	189.96
Non-Current Liabilities											
Long-term Liabilities	890 000	(90 000)	800 000	-	-	800 000	104 410	-	(695 590)	13.05	11.73
Employee Benefit Liabilities	21 725 000	3 000 000	24 725 000	-	-	24 725 000	20 361 375	-	(4 363 625)	82.35	93.72
Total Liabilities	29 255 000	2 910 000	32 165 000	-	-	32 165 000	33 364 566	-	1 199 566	103.73	114.05
Total Assets and Liabilities	10 123 000	(6 300 000)	3 823 000	-	-	3 823 000	(8 254 145)	-	(12 077 145)	-	-
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	10 123 000	(6 300 000)	3 823 000	-	-	3 823 000	(8 254 145)	-	(12 077 145)	-	-
Total Net Assets	10 123 000	(6 300 000)	3 823 000	-	-	3 823 000	(8 254 145)	-	(12 077 145)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

Budgeted for under Cash and Cash Equivalents. The district municipality does not have household debtors.

VAT Receivable:

Budgeted for under Other Income as VAT Income.

Cash and Cash Equivalents:

The Budgeted amount was overstated in the budget as it was incorrectly based on the actuals figures of 2013/14 financial year which included the grants administered on behalf of Mier Municipality.

Current Portion of Finance Lease Receivables:

Not all payments were received during the year as budgeted for.

Property, Plant and Equipment:

The budget amount was based on the actual Property, Plant and Equipment for 2013/14 financial year and the fleet was not replaced as budgeted for. The budget for Intangible Asset were included the Property, Plant and Equipment budget.

Intangible Assets:

Budgeted for under Property, Plant and Equipment.

Finance Lease Receivables:

Not all payments were received during the year as budgeted for.

Payables from Exchange Transactions:

The variance is due to third parties that were paid after year-end and cash flow problems experienced during the financial year.

Unspent Conditional Grants and Receipts:

Budgeted for under Government Grants and Subsidies Received in Revenue from Non-exchange Transactions.

Current Portion of Long-term Liabilities:

Budgeted for under Long-term Liabilities.

Long-term Liabilities:

Over budgeted for Long-term Liabilities based on the repayments during the year. Long-term Liabilities includes the budgeted amount for Current Portion of Long-term Liabilities.

Employee Benefit Liabilities:

Over budgeted for Employee Benefit Liabilities due to external factors that influence the provision valuation that are outside ZF Mgcawu District Municipality's control.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2015
 FINANCIAL PERFORMANCE

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	53 456 000	(677 000)	52 779 000	-	-	52 779 000	52 502 364	-	(276 636)	99.48	98.22
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	40 000	5 000	45 000	-	-	45 000	44 594	-	(406)	99.10	111.48
Interest Earned - External Investments	350 000	200 000	550 000	-	-	550 000	305 804	-	(244 196)	55.60	87.37
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	4 293	-	4 293	0.00	0.00
Other Income	2 639 000	(860 500)	1 778 500	-	-	1 778 500	594 156	-	(1 184 344)	33.41	22.51
Gains on Disposal of Property, Plant and Equipment	3 200 000	-	3 200 000	-	-	3 200 000	-	-	(3 200 000)	0.00	0.00
Total Revenue	59 685 000	(1 332 500)	58 352 500	-	-	58 352 500	53 451 210	-	(4 901 290)	91.60	89.56
Expenditure											
Employee Related Costs	39 112 472	(3 013 470)	36 099 002	-	-	36 099 002	38 692 654	1 840 944	2 593 652	107.18	98.93
Remuneration of Councillors	3 726 840	(635 804)	3 091 036	-	-	3 091 036	3 190 198	-	99 162	103.21	85.60
Depreciation and Amortisation	762 550	14 484	777 034	-	80 000	857 034	917 578	-	60 544	107.06	120.33
Impairment Losses	-	-	-	-	-	-	628 727	628 727	628 727	0.00	0.00
Repairs and Maintenance	649 750	130 600	780 350	-	(266 267)	514 083	562 942	-	48 859	109.50	86.64
Finance Costs	126 412	-	126 412	-	-	126 412	120 317	-	(6 095)	95.18	95.18
Contracted Services	30 000	-	30 000	-	-	30 000	27 615	-	(2 385)	92.05	92.05
Grants and Subsidies Paid	4 859 000	186 500	5 045 500	-	-	5 045 500	4 010 881	-	(1 034 619)	79.49	82.55
General Expenses	8 143 795	2 241 038	10 384 833	-	186 267	10 571 100	10 159 466	-	(411 634)	96.11	124.75
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	108 623	-	108 623	0.00	0.00
Total Expenditure	57 410 819	(1 076 652)	56 334 167	-	-	56 334 167	58 419 002	2 469 671	2 084 835	103.70	101.76
Surplus/(Deficit)	2 274 181	(255 848)	2 018 333	-	-	2 018 333	(4 967 792)	2 469 671	(6 986 125)	-	-
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers and	2 274 181	(255 848)	2 018 333	-	-	2 018 333	(4 967 792)	2 469 671	(6 986 125)	-	-
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit for the Year)	2 274 181	(255 848)	2 018 333	-	-	2 018 333	(4 967 792)	2 469 671	(6 986 125)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Financial Performance: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Interest Earned - External Investments:

Interest earned potential were overstated in the budget planning. Cash flow problems occurred during the financial year and limit cash was available for investments.

Interest Earned - Outstanding Debtors:

Not budgeted for as the ZF Mgcawu District Municipality has no consumer debtors and expect to receive Other Debtors within 30 days.

Other Income:

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities.

Gains on Disposal of Property, Plant and Equipment:

During 2014/15 financial year ZF Mgcawu District Municipality sold 2 Buildings and R3 200 000 was budgeted for the disposal. As at 30 June 2015 the 2 Buildings were not registered yet and the money was not received yet.

Impairment Losses:

Not budgeted for Impairment Losses. VAT Receivables were written-off to the SARS statement amount as at 30 june 2015. ZFM also provided for bad debt on outstanding debtors.

Grants and Subsidies Paid:

Funding for certain projects in this category did not materialised and this let the spending on grants and subsidies paid to be much lesser than budgeted for.

Loss on Disposal of Property, Plant and Equipment:

During 2014/15 financial year ZF Mgcawu District Municipality sold 2 Buildings and R3 200 000 was budgeted for the disposal. As at 30 June 2015 the 2 Buildings were not registered yet and the money was not received yet.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2015
CAPITAL EXPENDITURE PER FUNCTION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	75 000	30 000	105 000	-	25 000	130 000	126 820	-	(3 180)	97.55	169.09
Budget and treasury office	890 000	(390 000)	500 000	-	(85 000)	415 000	-	-	(415 000)	0.00	0.00
Corporate services	1 030 000	(780 000)	250 000	-	54 500	304 500	300 606	-	(3 894)	98.72	29.19
Municipal Support	250 000	98 500	348 500	-	5 500	354 000	352 734	-	(1 266)	99.64	141.09
Total Capital Expenditure	2 245 000	(1 041 500)	1 203 500	-	-	1 203 500	780 160	-	(423 340)	64.82	34.75

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Budget and treasury office

The fleet was not replaced as budgeted for due to unsuccessful tender processes.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2015
CASH FLOW

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities											
Grants	52 709 000	-	52 709 000	-	-	52 709 000	54 629 000	-	1 920 000	103.64	103.64
Rental Of Facilities And Equipment	-	-	-	-	-	-	44 594	-	44 594	0.00	0.00
Interest Received	350 000	-	350 000	-	-	350 000	310 097	-	(39 903)	88.60	88.60
Other Income	3 083 400	-	3 083 400	-	-	3 083 400	(455 003)	-	(3 538 403)	0.00	0.00
Employee Related Costs	(56 539 357)	-	(56 539 357)	-	-	(56 539 357)	(38 773 469)	-	17 765 888	68.58	68.58
Remuneration of Councillors	-	-	-	-	-	-	(3 190 198)	-	(3 190 198)	0.00	0.00
Interest Paid	(123 912)	-	(123 912)	-	-	(123 912)	(120 317)	-	3 595	97.10	97.10
Suppliers Paid	-	-	-	-	-	-	1 948 683	-	1 948 683	0.00	0.00
Other Payments	-	-	-	-	-	-	(15 922 063)	-	(15 922 063)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(2 245 000)	-	(2 245 000)	-	-	(2 245 000)	(720 290)	-	1 524 710	32.08	32.08
Purchase of Intangible Assets	-	-	-	-	-	-	(59 871)	-	(59 871)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	3 200 000	-	3 200 000	-	-	3 200 000	3 680	-	(3 196 320)	0.12	0.12
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	-	(2 752)	-	(2 752)	0.00	0.00
Cash Flows from/(used in) Financing Activities											
Loans repaid	(890 000)	-	(890 000)	-	-	(890 000)	(894 449)	-	(4 449)	100.50	100.50
Cash and Cash Equivalents at End of the Year	(455 869)	-	(455 869)	-	-	(455 869)	(3 202 358)	-	(2 746 489)	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Rental Of Facilities And Equipment

Budgeted for under Other Income.

Interest Received

Interest earned potential were overstated in the budget planning. Cash flow problems occurred during the financial year and limit cash was available for investments.

Other Income

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities.

Employee Related Costs

Under budgeted for. 'Remuneration of councillors, Suppliers paid and Other payments budgeted for under Employee Related Cost.

Remuneration of Councillors

Budgeted for under Employee Related Cost

Suppliers Paid

Budgeted for under Employee Related Cost

Other Payments

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

During 2014/15 financial year ZF Mgcawu District Municipality sold 2 Buildings and R3 200 000 was budgeted for the disposal. As at 30 June 2015 the 2 Buildings were not registered yet and the money was not received yet.

Purchase of Intangible Assets:

Budgeted for under Purchases of Property, Plant and Equipment.

Proceeds on Disposal of Property, Plant and Equipment:

During 2014/15 financial year ZF Mgcawu District Municipality sold 2 Buildings and R3 200 000 was budgeted for the disposal. As at 30 June 2015 the 2 Buildings were not registered yet and the money was not received yet.

Decrease / (Increase) in Finance Lease Receivables

Budgeted for under PPE

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2014
 FINANCIAL POSITION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Current Assets											
Inventories	57 000	-	57 000	-	-	57 000	-	-	(57 000)	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	-	-	133 729	-	133 729	0.00	0.00
Receivables from Non-exchange Transactions	500 000	-	500 000	-	-	500 000	-	-	(500 000)	0.00	0.00
VAT Receivable	-	-	-	-	-	-	247 353	-	247 353	0.00	0.00
Cash and Cash Equivalents	11 956 430	(5 000 000)	6 956 430	-	-	6 956 430	3 307 352	-	(3 649 078)	47.54	27.66
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	9 267	-	9 267	0.00	0.00
Non-Current Assets											
Property, Plant and Equipment	31 925 046	-	31 925 046	-	-	31 925 046	24 212 254	-	(7 712 792)	75.84	75.84
Intangible Assets	105 000	-	105 000	-	-	105 000	151 625	-	46 625	144.40	144.40
Finance Lease Receivables	-	-	-	-	-	-	77 738	-	77 738	0.00	0.00
Total Assets	44 543 476	(5 000 000)	39 543 476	-	-	39 543 476	28 139 318	-	(11 404 158)	71.16	63.17
Current Liabilities											
Provisions	1 350 000	-	1 350 000	-	-	1 350 000	2 129 396	-	779 396	157.73	157.73
Payables from Exchange Transactions	8 662 872	(2 900 000)	5 762 872	-	-	5 762 872	4 923 642	-	(839 230)	85.44	56.84
Taxes and Transfers Payable	-	-	-	-	-	-	1 689 094	-	1 689 094	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	843 265	-	843 265	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	890 087	-	890 087	0.00	0.00
Non-Current Liabilities											
Long-term Liabilities	1 025 000	-	1 025 000	-	-	1 025 000	583 672	-	(441 328)	56.94	56.94
Employee Benefit Liabilities	19 500 000	(2 000 000)	17 500 000	-	-	17 500 000	20 366 514	-	2 866 514	116.38	104.44
Total Liabilities	30 537 872	(4 900 000)	25 637 872	-	-	25 637 872	31 425 671	-	5 787 799	122.58	102.91
Total Assets and Liabilities	14 005 604	(100 000)	13 905 604	-	-	13 905 604	(3 286 353)	-	(17 191 957)	0.00	0.00
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	14 005 604	(100 000)	13 905 604	-	-	13 905 604	(3 286 353)	-	(17 191 957)	0.00	0.00
Total Net Assets	14 005 604	(100 000)	13 905 604	-	-	13 905 604	(3 286 353)	-	(17 191 957)	0.00	0.00

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

No stock held in stores. The stores has been phased out by the municipality during the financial year.

Receivables from Exchange Transactions:

Budgeted for under Receivables from Non-exchange Transactions. The district municipality does not have household debtors.

Receivables from Non-exchange Transactions:

Over budgeted for Receivables from Non-Exchange Transactions.

VAT Receivable:

Incorrectly budgeted for as a VAT Payable.

Cash and Cash Equivalents:

Budget amount was based on the actual of 2012/2013 and the grants administered on behalf of Mier Municipality but because of re-classifications of the projects of Mier Municipality, it caused the variance in Cash and Cash Equivalents.

Current Portion of Finance Lease Receivables:

Budgeted for under Finance lease receivables. No separate budget exist for the line item.

Property, Plant and Equipment:

The budget amount was based on the Actual PPE for 2012/2013 without taking into account depreciation, therefore the variance.

Intangible Assets:

The variance is due to unforeseen upgrades on the Intangible Assets in order to have resources in working conditions.

Finance Lease Receivables:

Budgeted for under PPE.

Provisions:

Increase in the current portions of PEMA and LSA valuation reports.

Payables from Exchange Transactions:

The variance is due to third parties that were paid after year-end.

Taxes and Transfers Payables:

Budgeted for under Payables from Exchange Transactions. Variance is due to the re-classification of projects administered on behalf of Mier municipality.

Unspent Conditional Grants and Receipts:

The late transfer of grants from the department caused for the grants to not been spent in full.

Current Portion of Long-term Liabilities:

Budgeted for under Long-term Liabilities.

Long-term Liabilities:

Under budgeted for Long-term Liabilities and includes the budgeted amount for Current Portion of Long-term Liabilities.

Employee Benefit Liabilities:

Under budgeted for Employee Benefit Liabilities due to external factors that influence the provision calculations that are outside our control.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2014
FINANCIAL PERFORMANCE

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	50 723 000	-	50 723 000	-	-	50 723 000	50 251 446	-	(471 554)	99.07	99.07
Public Contributions	-	-	-	-	-	-	2 500 000	-	2 500 000	0.00	0.00
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	50 000	-	50 000	-	-	50 000	33 348	-	(16 652)	66.70	66.70
Interest Earned - External Investments	175 000	75 000	250 000	-	-	250 000	456 659	-	206 659	182.66	260.95
Interest Earned - Outstanding Debtors	1 751 400	-	1 751 400	-	-	1 751 400	219 337	-	(1 532 063)	12.52	12.52
Other Income	7 558 480	(1 551 856)	6 006 624	-	-	6 006 624	1 383 681	-	(4 622 943)	23.04	18.31
Total Revenue	60 257 880	(1 476 856)	58 781 024	-	-	58 781 024	54 844 471	-	(3 936 553)	93.30	91.02
Expenditure											
Employee Related Costs	36 866 552	(679 264)	36 187 288	-	(1 410 527)	34 776 761	35 612 787	-	836 026	102.40	96.60
Remuneration of Councillors	3 672 473	(529 148)	3 143 325	-	(6 546)	3 136 779	3 077 604	-	(59 175)	98.11	83.80
Depreciation and Amortisation	1 153 747	(370 470)	783 277	-	149 911	933 188	1 086 515	-	153 327	116.43	94.17
Impairment Losses	-	-	-	-	1 314 106	1 314 106	1 354 106	-	40 000	103.04	0.00
Repairs and Maintenance	585 500	95 000	680 500	-	8 106	688 606	621 732	-	(66 874)	90.29	106.19
Finance Costs	615 000	(385 000)	230 000	-	-	230 000	219 900	-	(10 100)	95.61	35.76
Contracted Services	150 000	(80 000)	70 000	-	15 000	85 000	85 125	-	125	100.15	56.75
Grants and Subsidies Paid	4 848 800	-	4 848 800	-	(947 985)	3 900 815	3 737 513	-	(163 302)	95.81	77.08
General Expenses	10 407 944	991 501	11 399 445	-	(139 111)	11 260 334	10 716 684	-	(543 650)	95.17	102.97
Loss on Disposal of Property, Plant and Equipment	(575 000)	-	(575 000)	-	1 017 046	442 046	7 139 852	6 641 544	6 697 806	1 615.18	0.00
Total Expenditure	57 725 016	(957 381)	56 767 635	-	-	56 767 635	63 651 818	6 641 544	6 884 183	112.13	110.27
Surplus/(Deficit)	2 532 864	(519 475)	2 013 389	-	-	2 013 389	(8 807 347)	6 641 544	(10 820 736)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers and	2 532 864	(519 475)	2 013 389	-	-	2 013 389	(8 807 347)	6 641 544	(10 820 736)	0.00	0.00
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit for the Year)	2 532 864	(519 475)	2 013 389	-	-	2 013 389	(8 807 347)	6 641 544	(10 820 736)	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Financial Performance: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Public Contributions:

Budgeted for under Other Income.

Rental of Facilities and Equipment:

Over budgeted. The houses rent by previous roads employees have been sold to them therefore the variance.

Interest Earned - External Investments:

Interest earned potential were understated in the budget planning. Higher interest rates were realised in the financial year.

Interest Earned - Outstanding Debtors:

Incorrectly budgeted for. Includes the total VAT amount receivable and not only interest.

Other Income:

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Budgeted Other Income includes funds received from mine and was classified under Public Contributions.

Other income were too optimistically budgeted for and include the Income on Support and Shared services to Local Municipalities.

Depreciation and Amortisation:

Depreciation were understated in the budget planning.

Loss on Disposal of Property, Plant and Equipment:

A Sewer Network was completed and was transferred to Kai Garib on 30 September 2013 according to the Proclamation 10, 14 & 15 dated 4 February 2010. ZFM did not budget for the transfer of this project of R6 641 544. The transfer was not an actual cash outflow for ZFM when the asset was transferred to Kai Garib Local Municipality. It is also not part of ZFM's operational activities and ZFM received no income for this transfer due to the Proclamation.

PPE were sold during the year below their Net Book Values.

ZF MGCAWU DISTRICT MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2014

CAPITAL EXPENDITURE PER FUNCTION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	110 000	-	110 000	-	(16 000)	94 000	77 017	-	(16 983)	81.93	70.02
Budget and treasury office	790 000	(22 605)	767 395	-	75 885	843 280	836 852	-	(6 428)	99.24	105.93
Corporate services	560 000	(479 375)	80 625	-	243 546	324 171	323 422	-	(749)	99.77	57.75
Municipal Support	1 010 000	(4 875)	1 005 125	-	(303 431)	701 694	499 426	-	(202 268)	71.17	49.45
Total Capital Expenditure	2 470 000	(506 855)	1 963 145	-	-	1 963 145	1 736 716	-	(226 429)	88.47	70.31

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Final Budget

Changes between the approved and final budget are a consequence of reallocations within the budget. All these reallocations were approved by the Director, Chief Financial Officer and Municipal Manager.

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Cost containment measures and savings realised by buying only necessary assets.

Municipal Support

Cost containment measures and savings realised by buying only necessary assets.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2014
CASH FLOW

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities											
Grants	60 163 000	(5 600 000)	54 563 000	-	-	54 563 000	49 898 668	-	(4 664 332)	91.45	82.94
Public Contributions	-	-	-	-	-	-	2 500 000	-	2 500 000	0.00	0.00
Rental of Facilities and Equipment	-	-	-	-	-	-	33 348	-	33 348	0.00	0.00
Interest Received	175 000	75 000	250 000	-	-	250 000	675 996	-	425 996	270.40	386.28
Other Income	9 359 880	(1 551 856)	7 808 024	-	-	7 808 024	3 506 643	-	(4 301 381)	44.91	37.46
Employee Related Costs	(53 991 123)	2 563 218	(51 427 905)	-	-	(51 427 905)	(35 516 073)	-	15 911 832	69.06	65.78
Remuneration of Councillors	-	-	-	-	-	-	(3 077 604)	-	(3 077 604)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(219 900)	-	(219 900)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	(1 260 904)	-	(1 260 904)	0.00	0.00
Other Payments	-	-	-	-	-	-	(15 824 299)	-	(15 824 299)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(2 470 000)	506 855	(1 963 145)	-	-	(1 963 145)	(1 650 420)	-	312 725	84.07	66.82
Purchase of Intangible Assets	-	-	-	-	-	-	(86 296)	-	(86 296)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	575 000	-	575 000	-	-	575 000	488 000	-	(87 000)	84.87	84.87
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	-	7 218	-	7 218	0.00	0.00
PPE transferred to Assets-Held-For-Sale	-	-	-	-	-	-	2 200 000	-	2 200 000	0.00	0.00
Assets-Held-For-Sale transferred to PPE	-	-	-	-	-	-	(2 200 000)	-	(2 200 000)	0.00	0.00
Cash Flows from/(used in) Financing Activities											
Loans repaid	(610 000)	385 000	(225 000)	-	-	(225 000)	(1 090 781)	-	(865 781)	0.00	0.00
Cash and Cash Equivalents at End of the Year	13 201 757	(3 621 783)	9 579 974	-	-	9 579 974	(1 616 403)	-	(11 196 377)	-	0.00

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Public Contributions

Budgeted for under Other Income.

Rental of Facilities and Equipment

Budgeted for under Other Income.

Interest Received

Interest earned were understated in the budget planning. Higher interest rates were realised in the financial year and SARS paid out interest on the late payout of VAT refunds.

Other Income

Budgeted Other Income includes VAT received that was credited against VAT Receivables.

Budgeted Other Income includes funds received from mine and was classified under Public Contributions.

Other Income were too optimistically budgeted for and include the Income on Support and Shared services of which the SLA's was only finalised during last quarter of the year.

Employee Related Costs

Remuneration of councillors, Suppliers paid and Other payments budgeted for under Employee Related Cost

Remuneration of Councillors

Budgeted for under Employee Related Cost

Interest Paid

Budgeted for under Employee Related Cost

Suppliers Paid

Budgeted for under Employee Related Cost

Other Payments

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

Variance due to cost containment measures and savings that realised.

Purchase of Intangible Assets:

The variance is due to unforeseen upgrades on the Intangible Assets in order to have resources in working conditions.

Proceeds on Disposal of Property, Plant and Equipment:

A loss on disposal of Property, Plant and Equipment realised during the financial year

Decrease / (Increase) in Finance Lease Receivables

Budgeted for under PPE

Loans repaid:

The budget amount only included the interest paid and not the capital portion therefor the variance.

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2014/15		2013/14
	R		R
Net surplus/(deficit) per the statement of financial performance	(4 967 792)		(8 807 347)
Revenue from Non-exchange Transactions			
Government Grants and Subsidies Received	276 636		471 554
Public Contributions	-		(2 500 000)
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	406		16 652
Interest Earned - External Investments	244 196		(206 659)
Interest Earned - Outstanding Debtors	(4 293)		1 532 063
Other Revenue	1 184 344		4 622 943
Expenditure			
Employee Related Costs	2 593 652		836 026
Remuneration of Councillors	99 162		(59 175)
Depreciation and Amortisation	60 544		153 327
Impairment Losses	628 727		40 000
Repairs and Maintenance	48 859		(66 874)
Finance Costs	(6 095)		(10 100)
Contracted Services	(2 385)		125
Grants and Subsidies Paid	(1 034 619)		(163 302)
General Expenses	(411 634)		(543 650)
Loss on Disposal of Property, Plant and Equipment	108 623		6 697 806
Net surplus/deficit per approved budget	2 018 333		2 013 389

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

(a) is required by a Standard of GRAP; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 *Revenue Recognition*

Accounting Policy 8.2 on Revenue from Exchange Transactions and Accounting Policy 8.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions*: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 *Financial assets and liabilities*

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on Financial Assets Classification and Accounting Policy 6.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

ZF MGCWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments - Presentation* and GRAP 104: *Financial Instruments - Recognition and Measurement*.

1.2.3 *Impairment of Financial Assets*

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired.

In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

• Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.2.4 *Useful lives of Property, Plant and Equipment and Intangible assets*

As described in Accounting Policies 3.3 and 4.2 the municipality depreciates and amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy 3.10 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 7.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Value (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: *Property, Plant and Equipment*, GRAP 12: *Inventory* and GRAP 102: *Intangible assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the CRC for inventories involves significant judgment by management.

1.2.6 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 12.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards.

The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 14 to the Annual Financial Statements.

1.2.7 *Provisions and contingent liabilities*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 8 and 41 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3 *PRESENTATION CURRENCY*

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1.4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1.5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been approved but are not yet effective and have not been early adopted by the municipality:

GRAP 32	Service Concessions Arrangements: Grantor
GRAP 108	Statutory Receivables
GRAP 20	Related Party Disclosures
GRAP 18	Segment Reporting
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

Above Standards of GRAP were approved, but for which the Minister of Finance has not yet determined an effective date, and that entities may consider in formulating an accounting policy (paragraph .30 of Directive 5), before applying the hierarchy in the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
GRAP 20 - Related Party Transactions

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. ACCUMULATED SURPLUS

The accumulated surplus of the municipality is affected by only the net profit or loss during the financial year and is maintained in terms of the relevant accounting policies.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land has an unlimited useful life and therefore is not depreciated. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years	Other	Years
Infrastructure			
Roads and Paving	45 - 50	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
		Office Equipment	3 - 7
Buildings	25 - 100	Furniture and Fittings	5 - 10
		Watercraft	15
Community		Bins and Containers	5
Recreational Facilities	15 - 60	Specialised Plant and Equipment	10 - 15
Security	5	Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment.

Subsequent to measurement, heritage assets are carried at cost less impairment losses.

3.7 Land

Land has an unlimited useful life and therefore is not depreciated.

3.8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.10 Impairment of assets

3.10.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.10.2 *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3.10.3 *Transitional provisions*

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 5.

3.11 *Assets Held for Sale*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual value and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

The fair values of intangible assets recognised in terms of GRAP 102 have been disclosed for the financial year ended 30 June 2012 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc.; and
- Property held for strategic purposes or service delivery.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

5.2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

6.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) *derivatives;*
- (b) *combined instruments that are designated at fair value*
- (c) *instruments held for trading.*
- (d) *non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or*
- (e) *financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.*

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes there to:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances	Financial asset at amortised cost
Cash Floats and Advances	Financial Assets at Fair Value
Finance Lease Receivable	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Long Term Receivables	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost for bank balances and Call Deposits and Cash Floats and Advances as Financial Asset at Fair Value.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial asset at amortised cost.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Financial Assets measured at fair value are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

6.3.2 *Financial Liabilities:*

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. INVENTORIES

7.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale of inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

ZF MGCWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

7.3 Transitional Provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2015 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 5.

8. REVENUE RECOGNITION

8.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8.2 Revenue from Exchange Transactions

8.2.1 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8.2.2 *Sale of Goods (including Houses)*

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8.2.3 *Rentals*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

8.3 *Revenue from Non-exchange Transactions*

8.3.1 *Public contributions*

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

8.3.2 *Other Donations and Contributions*

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

8.3.3 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

8.3.4 *Government Grants and Receipts*

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

11. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12. EMPLOYEE BENEFITS

12.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

12.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

12.3 Defined Benefit Plans

A defined benefit plan is a post- employment benefit plan other than a defined contribution plan.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

12.3.1 *Post-retirement Health Care Benefits:*

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12.3.2 *Long-service Allowance*

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

12.3.3 *Defined benefit pension plans*

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the “corridor method”. Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

13. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

13.1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

13.3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

14. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2010 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

15. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

19. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 31 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in notes 33 to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Refer to Note 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

21. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

22. COMPARATIVE INFORMATION

22.1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements and forms part of the audited Annual Financial Statements.

22.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

ZF MGCAWU DISTRICT MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

24. COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

25. TREATMENT OF SUPPORT FUNDS RECEIVED

Funding received from Local Municipalities for support services are not recognised as revenue but are allocated to support accounts where the actual cost of support services (admin fees, travel costs and subsistence allowances) are deducted from. By using support accounts for each Local Municipality ZFM has more control over its support services and cannot overspent on support rendered.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. GENERAL INFORMATION

ZF Mgcawu District Municipality (The Municipality, formerly known as Siyanda District Municipality) is a local government institution in Upington, Northern Cape and has 6 local municipalities under its jurisdiction. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

	2015 R	2014 R	
2. RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Other Receivables	447 221	123 306	323 915
Payments Made In Advance	-	-	-
Other Debtors	447 221	123 306	323 915
Total Receivables from Exchange Transactions	447 221	123 306	323 915
As at 30 June 2014			
Other Receivables	170 105	36 376	133 729
Payments Made In Advance	78 466	-	78 466
Other Debtors	91 639	36 376	55 263
Total Receivables from Exchange Transactions	170 105	36 376	133 729

Receivables from Exchange Transactions have been restated to correctly classify Other Debtors. Refer to Note 32 on 'Correction of Error' for details of the restatement.

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

	2015 R	2014 R
2.1 Ageing of Receivables from Exchange Transactions		
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	289 566	133 729
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	157 655	36 376
Total	447 221	170 105

2.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Industrial/ Commercial R	Local Municipalities R	Other R	Total R
As at 30 June 2015				
<u>Current:</u>				
0 - 30 days	6 012	241 371	42 183	289 566
<u>Past Due:</u>				
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	34 349	-	123 306	157 655
Sub-total	40 361	241 371	165 489	447 221
Less: Provision for Impairment	-	-	123 306	123 306
Total Trade Receivables by Customer Classification	40 361	241 371	42 183	323 915

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Industrial/ Commercial R	Local Municipalities R	Other R	Total R
As at 30 June 2014				
<u>Current:</u>				
0 - 30 days	-	-	133 729	133 729
<u>Past Due:</u>				
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	36 376		-	36 376
Sub-total	36 376	-	133 729	170 105
Less: Provision for Impairment	36 376	-	-	36 376
Total Trade Receivables by Customer Classification	-	-	133 729	133 729

	2015 R	2014 R
2.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	36 376	36 376
<i>All Consumer Debtors</i>	36 376	36 376
Impairment Losses recognised	123 306	-
<i>All Consumer Debtors</i>	123 306	-
Impairment Losses reversed	(36 376)	-
<i>All Consumer Debtors</i>	(36 376)	-
Balance at end of year	123 306	36 376

An impairment loss was provided during the 2014/15 financial year due to the uncertainty of the recoverability of the outstanding debtors of R123 306 .

2.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

3. VAT RECEIVABLE

VAT Receivable	482 384	247 353
VAT Payable	-	-
VAT Receivable	482 384	247 353

VAT Receivables from Exchange Transactions have been restated to correctly classify Other Debtors which had a VAT implication. Refer to Note 32 on 'Correction of Error' for details of the restatement.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are made before the due date.

An impairment loss was recognised after an audit was performed by SARS during the 2014/15 financial year and therefore VAT Receivables were written-off by R505 421 (2013/14:R900 909).

4. CASH AND CASH EQUIVALENTS

Current Investments	2 398	1 781 382
Bank Accounts	90 695	1 513 170
Cash and Cash Equivalents	11 901	12 800
	104 995	3 307 352
Bank Overdraft	-	-
Total Bank, Cash and Cash Equivalents	104 995	3 307 352

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Current Investments.

4.1 Current Investment Deposits

Call Deposits	2 398	1 781 382
Total Current Investment Deposits	2 398	1 781 382

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 4.9% per annum.		
ABSA - Branch 632005 - Acc 4051455519	305	-
ABSA - Branch 632005 - Acc 4048776037	134	-
ABSA - Branch 632005 - Acc 1045170264	476	12 158
ABSA - Branch 632005 - Acc 1045180260	1 483	1 673 521
30 Day Call Deposit	-	95 703
Total Current Investment Deposits	2 398	1 781 382

Deposits of R2 398 (2014: R1 781 382) are ring-fenced and partly attributable to Unspent Conditional Grants. For these bank accounts the general ledger agrees to the bank statement balance.

ABSA - Branch 632005 - Acc 4051455519

Cash book balance at beginning of year	-	-
Cash book balance at end of year	305	-

Bank statement balance at beginning of year	-	1 085 081
Bank statement balance at end of year	305	-

ABSA - Branch 632005 - Acc 4048776037

Cash book balance at beginning of year	-	-
Cash book balance at end of year	134	-

Bank statement balance at beginning of year	-	698 400
Bank statement balance at end of year	134	-

ABSA - Branch 632005 - Acc 1045170264

Cash book balance at beginning of year	12 158	805 199
Cash book balance at end of year	476	12 158

Bank statement balance at beginning of year	12 158	805 199
Bank statement balance at end of year	476	12 158

ABSA - Branch 632005 - Acc 1045180260

Cash book balance at beginning of year	1 673 521	333 924
Cash book balance at end of year	1 483	1 673 521

Bank statement balance at beginning of year	1 673 521	333 924
Bank statement balance at end of year	1 483	1 673 521

4.2 Bank Accounts

Cash in Bank	90 695	1 513 170
Total Bank Accounts	90 695	1 513 170

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Branch 632005 - Acc 2240000035

Cash book balance at beginning of year	1 513 170	3 782 049
Cash book balance at end of year	90 695	1 513 170

Bank statement balance at beginning of year	1 513 170	1 998 568
Bank statement balance at end of year	90 695	1 513 170

4.3 Cash and Cash Equivalents

Cash Floats and Advances	11 901	12 800
Total Cash on hand in Cash Floats, Advances and Equivalents	11 901	12 800

Petty Cash Bank Account

ABSA Bank - Branch 632005 - Acc 9266723639

Cash book balance at beginning of year	12 800	2 180
Cash book balance at end of year	11 901	12 800

Bank statement balance at beginning of year	12 800	2 584
Bank statement balance at end of year	11 901	12 800

No restrictions have been imposed on the Municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the Municipality and financial institutions.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5 PROPERTY, PLANT AND EQUIPMENT

30 June 2015

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Other Assets	Leased Assets	Total
	R	R	R	R	R	R
Carrying values at 01 July 2014	18 516 000	2 852 480	-	2 843 774	-	24 212 254
Cost	18 516 000	3 716 000	-	6 186 086	-	28 418 086
Accumulated Depreciation:	-	(863 520)	-	(3 342 312)	-	(4 205 832)
Acquisitions	-	-	-	720 290	-	720 290
Depreciation:	-	(82 240)	-	(757 675)	-	(839 915)
Carrying value of Disposals:	-	-	-	(111 229)	-	(111 229)
- Cost	-	-	-	(475 621)	-	(475 621)
- Accumulated Depreciation	-	-	-	364 392	-	364 392
Carrying values at 30 June 2015	18 516 000	2 770 240	-	2 695 159	-	23 981 399
Cost	18 516 000	3 716 000	-	6 430 754	-	28 662 754
Accumulated Depreciation:	-	(945 760)	-	(3 735 595)	-	(4 681 355)

30 June 2014

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Other Assets	Leased Assets	Total
	R	R	R	R	R	R
Carrying values at 01 July 2013	18 516 000	3 401 088	6 164 434	3 568 717	5 461	31 655 700
Cost	18 516 000	4 328 352	6 164 434	6 580 658	175 267	35 764 711
- Completed Assets	18 516 000	4 328 352	-	6 580 658	175 267	29 600 277
- Under Construction	-	-	6 164 434	-	-	6 164 434
Accumulated Depreciation:	-	(927 264)	-	(3 011 941)	(169 805)	(4 109 011)
Acquisitions	-	-	-	1 173 310	-	1 173 310
Capital under Construction - Additions:	-	-	477 110	-	-	477 110
Depreciation:	-	(95 411)	-	(917 340)	(800)	(1 013 552)
Carrying value of Disposals:	-	-	(6 641 544)	(980 913)	(4 661)	(7 627 118)
- Cost	-	-	-	(1 567 882)	(175 267)	(1 743 149)
- Under Construction	-	-	(6 641 544)	-	-	(6 641 544)
- Accumulated Depreciation	-	-	-	586 970	170 606	757 575
Carrying value of Transfers: Assets-Held-for-Sale:	-	(453 197)	-	-	-	(453 197)
- Cost	(540 000)	(2 272 352)	-	-	-	(2 812 352)
- Change in Accounting Policy - Note 31	540 000	1 660 000	-	-	-	2 200 000
- Accumulated Depreciation	-	159 155	-	-	-	159 155
Carrying values at 30 June 2014	18 516 000	2 852 480	-	2 843 774	-	24 212 254
Cost	18 516 000	3 716 000	-	6 186 086	-	28 418 086
Accumulated Depreciation:	-	(863 520)	-	(3 342 312)	-	(4 205 832)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

5.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

5.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

Refer to Note 30 for Property, Plant and Equipment that were retired from active use and held for disposal during the financial year.

5.3 Assets pledged as security

The Municipality did not pledge any of its assets as security, except for Leases Assets.

5.4 Impairment of Property, Plant and Equipment

No Property, Plant and Equipment were impaired from active use during the financial year.

5.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

	2015 R	2014 R
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2014/15:		
Budget and treasury office	(19 578)	-
Administration	-	(1 659)
Council Administration	-	(1 754)
Council Services	-	(977)
Engineering Services	-	(5 773)
Environmental Health	-	(4 467)
Financial Services	-	(13 418)
Economic Development/Planning	(13 141)	-
Housing	(2 570)	(2 953)
Human Resources	(3 922)	(3 936)
Information Technology	(287)	(9 647)
Internal Audit	-	(1 868)
Mayor and Council	(7 877)	-
Municipal Manager	(6 173)	(1 203)
Municipal Support Services	-	(526)
PIMMS	-	(2 018)
Other	(2 744)	-
Other Admin	4 808	-
Property Services	(4 602)	(4 575)
Security Services	-	(89)
Tourism	(2 491)	(2 553)
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(58 576)	(57 415)

5.6 Land and Buildings carried at Fair Value

The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

5.7 Compensation received for Losses

Compensation, included in Operating Surplus, was received from the Municipality's insurers for Property, Plant and Equipment lost during the year:

Compensation received from insurers	33 093	15 901
Compensation received from responsible employees	-	-
Carrying value of lost assets	(34 867)	(6 056)
Surplus / (Deficit) on Compensation received for Lost PPE	(1 775)	9 845

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5.8 Property Held-for-Sale

The Municipality is in the process to dispose some of its buildings within the next three months. These buildings have a Net Book Value of R2 124 545 on 30 June 2015 and are included under Property, Plant and Equipment according to the revised GRAP 100 requirements. A competitive bid of R3 425 700 could be obtained from the tender process and the attorneys are in the final process to transfer the properties at the Deeds Office. As at 30 June 2015 the amount receivable was R3 373 282 after taking into account all costs to sell the buildings.

An impairment loss of R453 197 was recognised in 2013/14 financial year on reclassification of the property as held-for-sale at the lower of its carrying amount and fair value less costs to sell under the old GRAP 100 measurement requirements.

GRAP 100, revised in February 2013, withdrew the measurement, presentation and disclosure requirements related to Non-Current Assets Held For Sale. Refer to Note 31 for Change in Accounting Policy.

6 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

2015
R

2014
R

132 757

151 625

The movement in Intangible Assets is reconciled as follows:

30 June 2015

Carrying values at 01 July 2014

Cost

Accumulated Amortisation

Acquisitions:

Purchased

Amortisation:

Purchased

Transfers:

At Cost

At Accumulated Amortisation

**Computer
Software**

Total

151 625

151 625

357 674

357 674

(206 049)

(206 049)

59 871

59 871

59 871

59 871

(77 664)

(77 664)

(77 664)

(77 664)

(1 074)

(1 074)

(10 400)

(10 400)

9 326

9 326

Carrying values at 30 June 2015

Cost

Accumulated Amortisation

132 757

132 757

407 145

407 145

(274 388)

(274 388)

30 June 2014

Carrying values at 01 July 2013

Cost

Accumulated Amortisation

Acquisitions:

Purchased

Amortisation:

Purchased

Transfers:

At Cost

At Accumulated Amortisation

**Computer
Software**

Total

139 027

139 027

291 178

291 178

(152 151)

(152 151)

86 296

86 296

86 296

86 296

(72 964)

(72 964)

(72 964)

(72 964)

(735)

(735)

(19 800)

(19 800)

19 065

19 065

Carrying values at 30 June 2014

Cost

Accumulated Amortisation

151 625

151 625

357 674

357 674

(206 049)

(206 049)

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 23).

All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Intangible Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

6.1 Significant Intangible Assets

The Municipality's intangible assets only comprise of computer related software.

6.2 Intangible Assets with Indefinite Useful Lives

The Municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

6.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

6.4 Change in Estimate - Useful Life of Intangible Assets reviewed

The estimated useful lives of Intangible Assets were reviewed on 30 June 2015 but no changes were made by the Municipality

7 FINANCE LEASE RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Housing Selling Scheme Loans	84 971	-	84 971
	<u>84 971</u>	<u>-</u>	<u>84 971</u>
Less: Current Portion transferred to Current Receivables:-			4 482
Housing Selling Scheme Loans			<u>4 482</u>
Total Long-term Receivables			<u>80 489</u>
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Housing Selling Scheme Loans	87 005	-	87 005
	<u>87 005</u>	<u>-</u>	<u>87 005</u>
Less: Current Portion transferred to Current Receivables:-			9 267
Housing Selling Scheme Loans			<u>9 267</u>
Total Finance Lease Receivables			<u>77 738</u>

HOUSING SELLING SCHEME LOANS

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of 5% per annum.

7.1 Leasing Arrangements

The Municipality entered into finance Leasing Arrangements for the house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is twenty years.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7.2 Amounts receivable under Finance Leases

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2015 R	2014 R	2015 R	2014 R
Within one year	11 878	11 878	11 878	11 878
In the second to fifth years, inclusive	47 512	47 512	47 512	47 512
Over five years	119 299	131 177	119 299	131 177
	<u>178 689</u>	<u>190 567</u>	<u>178 689</u>	<u>190 567</u>
Less: Unearned Finance Income	98 200	112 829	98 200	112 829
Present Value of Minimum Lease Payments Receivable	<u>80 489</u>	<u>77 738</u>	<u>80 489</u>	<u>77 738</u>
Provision for Uncollectable Lease Receivables	-	-	-	-
Total Finance Lease Receivables	<u>80 489</u>	<u>77 738</u>	<u>80 489</u>	<u>77 738</u>
Unearned Finance Income			<u>-</u>	<u>-</u>
			2015 R	2014 R
Included in the Annual Financial Statements as:				
Non-current Finance Lease Receivables			80 489	77 738
Current Finance Lease Receivables			4 482	9 267
Total Finance Lease Receivables			<u>84 971</u>	<u>87 005</u>

The interest rate inherent in the leases are fixed at the contract date of the entire lease term. The average effective interest rate contracted is approximately 5% (2014: 5%) per annum.

Management of the Municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties.

8 PROVISIONS

Performance Bonuses	418 680	481 303
Current Portion of Employee Benefits Liability (See Note 14):	1 572 417	1 648 093
Post-retirement Health Care Benefits Liability	<u>1 393 788</u>	<u>1 340 580</u>
Long Service Awards	<u>178 629</u>	<u>307 513</u>
Total Provisions	<u>1 991 097</u>	<u>2 129 396</u>

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

Balance at beginning of year	481 303	414 959
Contributions to provision	423 593	417 698
Expenditure incurred	(486 216)	(351 353)
Balance at end of year	<u>418 680</u>	<u>481 303</u>

Current Portion of Non-Current Provisions:

	Long Service Awards R	Post-retirement R	Total R
30 June 2015			
Balance at beginning of year	307 513	1 340 580	1 648 093
Transfer from non-current	(128 884)	53 208	(75 676)
Balance at end of year	<u>178 629</u>	<u>1 393 788</u>	<u>1 572 417</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	Long Service Awards R	Post-retirement R	Total R
30 June 2014			
Balance at beginning of year	180 603	1 320 408	1 501 011
Transfer from non-current	126 910	20 172	147 082
Balance at end of year	307 513	1 340 580	1 648 093

2015
R

2014
R

9 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	5 555 515	3 109 777
Creditors	2 694 414	1 011 528
Salary Suspense	2 557 447	2 095 383
Accrual	303 654	-
Medical Claims	0	2 866
Staff Leave Accrued	1 513 049	1 516 389
Retentions	297 476	297 476
Support Accounts	96 842	-
Total Creditors	7 462 882	4 923 642

Payables from Exchange Transactions have been restated to correctly classify Trade Payables. Refer to Note 32 on 'Correction of Error' for details of the restatement.

Staff Leave accrues to the staff of the Municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Support Accounts are money received from Local Municipalities to render support services to them. The money is kept in separate support accounts so that ZFM District Municipality can have more control over the costing of support services. Only admin fees, actual travel costs and subsistence allowances are deducted from these support accounts.

The Municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

10 TAXES AND TRANSFERS PAYABLE

Kgotso Pula Nala Project Account	-	1 417 574
Bloodhound Project Account	-	270 820
Other Creditors	-	700
Total Payables	-	1 689 094

Taxes and Transfers Payable have been restated to correctly classify Suspense Accounts. Refer to Note 32 on 'Correction of Error' for details of the restatement.

No credit period exists for Taxes and Transfers Payable, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

11 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Conditional Grants from Government

National Government Grants	2 969 902	843 265
Provincial Government Grants	50 000	-
	2 919 902	843 265
Total Conditional Grants and Receipts	2 969 902	843 265

The Unspent Conditional Grants are cash backed by the disposal of two buildings that will be receivable in September 2015 for an amount of R3 373 281. This disposal was included in ZFM's 2014/15 Budget but did not realised before 30 June 2015 due to a delay in the registration process handled by the Attorneys and Deed Office.

Refer to Note 16 for the reconciliation of Grants from Government Receipts. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

12 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June 2015 as none of the contracts has any escalation clauses.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
13 LONG-TERM LIABILITIES		
Annuity Loans	579 311	1 473 760
Sub-total	<u>579 311</u>	<u>1 473 760</u>
Less: Current Portion transferred to Current Liabilities:-	474 901	890 087
Annuity Loans	<u>474 901</u>	<u>890 087</u>
Total Long-term Liabilities (Neither past due, nor impaired)	<u>104 410</u>	<u>583 672</u>

13.1 Summary of Arrangements

Annuity Loans are repaid over a period of 20 years (2014: 20 years) and at an interest rate of 10% (2014: 10%) per annum. The Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

		2015 R	2014 R
14 EMPLOYEE BENEFIT LIABILITIES			
Provision for Post-retirement Health Care Benefits Liability	Note 14.1	19 048 507	19 078 437
Provision for Long Service Awards	Note 14.2	1 312 868	1 288 077
Total Non-current Provisions		<u>20 361 375</u>	<u>20 366 514</u>

14.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	20 419 017	20 544 002
Increase due to Discounting	1 610 651	1 128 256
Expenditure incurred	(1 587 373)	(1 253 241)
Balance at end of Year	<u>20 442 295</u>	<u>20 419 017</u>
Transfer to Current Provisions	(1 393 788)	(1 340 580)
Total Post-retirement Health Care Benefits Liability	<u>19 048 507</u>	<u>19 078 437</u>

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

Continuation Members (Retirees, widowers and orphans)	31	32
Total Members	<u>31</u>	<u>32</u>

The liability in respect of past service has been estimated as follows:

Continuation Members	20 442 295	20 419 017
Total Liability	<u>20 442 295</u>	<u>20 419 017</u>

The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Keyhealth
- LA Health

The Interest Cost for the year ending 30 June 2015 is R1 681 781 where as the cost for the ensuing year is estimated to be R1 329 286 (30 June 2017: R1 343 034).

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.49%	8.51%
Health Care Cost Inflation Rate	7.67%	7.80%
Net Effective Discount Rate	0.77%	0.66%
Expected Rate of Salary Increase	7.00%	6.79%
Expected Retirement Age - Females	69	67
Expected Retirement Age - Males	70	70

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	20 419 017	20 544 002
Interest cost	1 681 781	1 550 311
Benefits paid	(1 587 373)	(1 253 241)
Actuarial gains	(71 130)	(422 055)

Present Value of Fund Obligation at the end of the Year	20 442 295	20 419 017
--	-------------------	-------------------

Actuarial losses / (gains) unrecognised	-	-
---	---	---

Total Recognised Benefit Liability	20 442 295	20 419 017
---	-------------------	-------------------

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	20 442 295	20 419 017
Fair value of plan assets	-	-
	20 442 295	20 419 017
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	20 442 295	20 419 017
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	20 442 295	20 419 017

The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	1 681 781	1 550 311
Benefits paid	(1 587 373)	(1 253 241)
Actuarial losses gains	(71 130)	(422 055)

Total Post-retirement Benefit included in Employee Related Costs (Note 21)	23 278	(124 985)
---	---------------	------------------

The history of experienced adjustments is as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	20 442 295	20 419 017	20 544 002	18 623 851	17 370 673
Fair Value of Plan Assets	-	-	-	-	-
Deficit	20 442 295	20 419 017	20 544 002	18 623 851	17 370 673

History of experience adjustments: Gains and Losses:

Experienced adjustments on Plan Liabilities	170 000	(506 000)	1 841 000	(93 000)	(425 000)
---	---------	-----------	-----------	----------	-----------

Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

	2015 R	2014 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 889 300	1 745 800
Effect on the defined benefit obligation	18 048 000	22 857 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1 506 500	1 385 500
Effect on the defined benefit obligation	14 648 000	18 359 000

The Municipality expects to make a contribution of R1 393 788 (30 June 2014: R1 340 580) to the Defined Benefit Plans during the next financial year.

Refer to Note 39, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
14.2 Long Service Awards		
Balance at beginning of Year	1 595 590	1 373 892
Contributions to Provision	-	92 560
Increase due to Discounting	155 203	319 760
Expenditure incurred	(259 296)	(190 622)
Balance at end of Year	<u>1 491 497</u>	<u>1 595 590</u>
Transfer to Current Provisions	(178 629)	(307 513)
Total Long Service Awards Liability	<u>1 312 868</u>	<u>1 288 077</u>

The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees according to Collective Agreement Circular 1/2014 dated 27/10/2014 and the Council resolution in November 1996. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 95 (2014: 110) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2015 is estimated to be R163 104, whereas the cost for the ensuing year is estimated to be R165 226 (30 June 2017: R178 511).

	2015 R	2014 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.04%	7.87%
Cost Inflation Rate	0.00%	0.00%
Net Effective Discount Rate	0.89%	0.77%
Expected Rate of Salary Increase (Long term)	7.08%	7.04%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1 595 590	1 373 892
Current service costs	163 104	226 956
Interest cost	113 658	92 804
Benefits paid	(259 296)	(190 622)
Actuarial gains	(121 559)	-
Actuarial losses	-	92 560
Present Value of Fund Obligation at the end of the Year	<u>1 491 497</u>	<u>1 595 590</u>
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	<u>1 491 497</u>	<u>1 595 590</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	<u>1 491 497</u>	<u>1 595 590</u>
	1 491 497	1 595 590
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	<u>1 491 497</u>	<u>1 595 590</u>
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	<u>1 491 497</u>	<u>1 595 590</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	163 104	226 956
Interest cost	113 658	92 804
Expenditure incurred	(259 296)	(190 622)
Actuarial gains	(121 559)	-
Actuarial losses	-	92 560
Total Long Service Awards Benefit included in Employee Related Costs (Note 21)	<u>(104 093)</u>	<u>221 698</u>

The history of experienced adjustments is as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	1 491 497	1 595 590	1 373 892	994 791	821 672
Deficit	<u>1 491 497</u>	<u>1 595 590</u>	<u>1 373 892</u>	<u>994 791</u>	<u>821 672</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

History of experience adjustments: Gains and Losses:

	2015	2014	2013	2012	2011
	R	R	R	R	R
Experienced adjustments on Plan Liabilities	(108 267)	129 212	325 940	38 977	(540 114)

Above figures summarises the experience adjustments for the current period and the previous three periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

The effect of a 1% salary movement in the assumed rate of long service cost inflation is as follows:

	2015	2014
	R	R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	298 600	339 200
Effect on the defined benefit obligation	1 592 000	1 698 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	257 100	302 300
Effect on the defined benefit obligation	1 400 000	1 503 000

The Municipality expects to make a contribution of R178 629 (2014: R307 513) to the defined benefit plans during the next financial year.

14.3 Actuarial Gains on Employee Benefits

Post-retirement Health Care Benefits	Note 14.1	71 130	422 055
Long Service Awards	Note 14.2	121 559	-
Total Actuarial Gains on Employee Benefits		192 689	422 055

Actuarial Gains on Employee Benefits have been restated to correctly classify Actuarial Gains on Long Service Awards and Post-retirement Health Care Benefits under Other Income. Refer to Note 32 on 'Correction of Error' for details of the restatement.

15 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	(8 254 145)	(3 286 353)
Total Accumulated Surplus	(8 254 145)	(3 286 353)

Accumulated Surplus has been restated to correctly classify amounts held by the Municipality. Refer to Note 32 ('Correction of error') for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

16 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	47 645 000	44 236 000
Operational Grants	47 645 000	44 236 000
Conditional Grants	4 857 364	6 015 446
Provincial: Housing Accreditation DPLG National	1 170 928	769 120
National: FMG	1 250 000	1 250 000
National: MSIG	934 000	890 000
Provincial: Disaster Management - Near Project Subsidy	220 185	810 803
Provincial: Disaster Management - Fire Equipment Grant	282 250	578 955
Provincial: EPWP Incentive Grant	1 000 000	1 000 000
Provincial: DRD Sewer network and oxidation ponds RVM V/V	-	716 569
Total Government Grants and Subsidies	52 502 364	50 251 446
Operational Grants:		
16.1 National: Equitable Share	47 645 000	44 236 000

In terms of the Constitution, this grant was used in the 2015 financial year under review according to the conditions set out by the Division of Revenue Act, 2014.

An amount of R747 000 was withheld from National Treasury in 2013/14 financial year due to unspent rolled over funds for MIG according to National Treasury's records.

In the current financial year the grant was used for operational expenses.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Conditional Grants:		
16.2 Provincial: Housing Accreditation DPLG National		
Balance unspent at beginning of year	147 544	-
Current year receipts	1 370 000	445 696
Current year receipts for 2015/16 financial year	1 050 000	-
Over expenditure on Grant transferred to operating expenses	-	470 967
Conditions met - transferred to Revenue: Operating Expenses	(1 090 368)	(769 120)
Conditions met - transferred to Revenue: Capital Expenses	(80 560)	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u><u>1 396 616</u></u>	<u><u>147 544</u></u>

The purpose of this grant was to allow the Municipality to build capacity in-house for the performing of the housing function. COGHSTA paid the 2015/16 grant funds during June 2015.

16.3 National: FMG

Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to Revenue: Operating Expenses	(1 250 000)	(1 250 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u><u>-</u></u>	<u><u>-</u></u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the Municipality.

16.4 National: MSIG

Balance unspent at beginning of year	-	-
Current year receipts	934 000	890 000
Current year receipts for 2015/16 financial year	50 000	-
Conditions met - transferred to Revenue: Operating Expenses	(570 310)	(890 000)
Conditions met - transferred to Revenue: Capital Expenses	(363 690)	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u><u>50 000</u></u>	<u><u>-</u></u>

The Municipal Systems Improvement Grant is allocated to assist the Municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy. The grant is spent according to an approved business plan. No funds have been withheld.

16.5 Provincial: Disaster Management - Near Project Subsidy

Balance unspent at beginning of year	287 397	798 200
Current year receipts	315 000	300 000
Current year receipts for 2015/16 financial year	350 000	-
Conditions met - transferred to Revenue: Operating Expenses	(220 185)	(810 803)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u><u>732 212</u></u>	<u><u>287 397</u></u>

To enhance Municipalities capacity to deal with disasters and emergencies. COGHSTA paid the 2015/16 grant funds during June 2015.

16.6 Provincial: Disaster Management - Fire Equipment Grant

Balance unspent at beginning of year	118 889	397 844
Current year receipts	315 000	300 000
Current year receipts for 2015/16 financial year	350 000	-
Conditions met - transferred to Revenue: Operating Expenses	(275 959)	(578 955)
Conditions met - transferred to Revenue: Capital Expenses	(6 291)	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u><u>501 639</u></u>	<u><u>118 889</u></u>

To enhance Municipalities capacity to deal with fire incidents. COGHSTA paid the 2015/16 grant funds during June 2015.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
16.7 Provincial: EPWP Incentive Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(980 171)	(1 000 000)
Conditions met - transferred to Revenue: Capital Expenses	(19 829)	-
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>-</u>	<u>-</u>

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

16.8 DRD Sewer network and oxidation ponds RVM V/V

Balance unspent at beginning of year	289 435	-
Current year receipts	-	1 006 004
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(716 569)
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>289 435</u>	<u>289 435</u>

This grant was used to build a sewerage and water infrastructure as part of the upgrading of informal settlement areas. Funds received for example implementation readiness study for Riemvasmaak Mission Water pipeline. No funds have been withheld.

16.9 Summary of Conditional Grants:

Balance unspent at beginning of year	843 265	1 196 044
Current year receipts	5 184 000	5 191 700
Current year receipts for 2015/16 financial year	1 800 000	-
Over expenditure on Grant transferred to operating expenses	-	470 967
Conditions met - transferred to Revenue: Operating Expenses	(4 386 994)	(5 298 877)
Conditions met - transferred to Revenue: Capital Expenses	(470 370)	(716 569)
Conditions still to be met - transferred to Liabilities (see Note 11)	<u>2 969 902</u>	<u>843 265</u>

Grants classified under Receivables from Non-exchange Transactions

Unspent Conditional Grants (Current Liabilities)	<u>2 969 902</u>	<u>843 265</u>
---	------------------	----------------

17 PUBLIC CONTRIBUTIONS

Conditional Contributions	-	2 500 000
Other Donations	-	-
Total Public Contributions	<u>-</u>	<u>2 500 000</u>

Summary of Transfers:

Conditions met - transferred to Revenue: Operating Expenses	-	(2 500 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Total Transfers	<u>-</u>	<u>(2 500 000)</u>

Reconciliation of Conditional Public Contributions:

17.1 Contributions from Sishen Iron Ore Company

Balance unspent at beginning of year	-	-
Current year receipts	-	2 500 000
Conditions met - transferred to Revenue: Operating Expenses	-	(2 500 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>-</u>

The Municipality received a donation from Sishen Iron Ore Company for rendering support services to Local Municipalities. The public contributions were utilised for this purpose and adhere to the Municipality's Donation Policy. No funds have been withheld.

18 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	44 594	33 348
Total Rental of Facilities and Equipment	<u>44 594</u>	<u>33 348</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
19 INTEREST EARNED		
External Investments:		
Investments and Bank Account	305 804	456 659
	305 804	456 659
Outstanding Debtors:		
Finance Leases	4 293	4 512
Other Outstanding Debtors - SARS	-	214 826
	4 293	219 337
Total Interest Earned	310 097	675 996
20 OTHER INCOME		
Actuarial Gains - Employee Benefits	192 689	422 055
Admin Revenue	98 717	606 594
Commission - Insurance	37 918	32 560
Monies sundries	95 378	13 948
Shared Services	156 000	193 237
Tender Deposits	9 265	4 129
Internal Rental Income - Vehicles	4 188	111 157
Total Other Income	594 156	1 383 681
21 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	26 598 175	24 339 742
Basic Salaries and Wages	24 661 908	22 757 228
Contribution to Leave Fund	213 188	85 088
Service Bonuses	1 723 078	1 497 427
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 496 049	5 035 722
Medical	1 215 998	1 044 136
Pension	3 831 020	3 569 020
Industrial Council Levy	7 634	7 147
Skills Development Levy	271 700	253 145
UIF	169 698	162 274
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 871 881	3 518 149
Allowances	3 871 881	3 518 149
Housing Benefits and Allowances	344 413	338 844
Performance Bonuses	423 593	417 698
Defined Benefit Plan Expense:	1 958 543	1 962 632
- Long Service Awards		
Current Service Cost	163 104	226 956
Interest Cost	113 658	92 804
Net Actuarial losses recognised	-	92 560
- Post-retirement Health Care Benefits Liability		
Interest Cost	1 681 781	1 550 312
Total Employee Related Costs	38 692 654	35 612 787

Employee Related Costs has been restated to correctly classify Actuarial Gains on Long Service Awards and Post-retirement Health Care Benefits Liability under Other Income. Refer to Note 32 on 'Correction of Error' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager:</i>		
Annual Remuneration	961 110	858 409
Performance Bonus	180 000	147 209
Car and Other Allowances	640 740	477 431
Total	1 781 850	1 483 049
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	522 815	510 360
Performance Bonus	102 072	102 072
Car Allowance	384 331	274 524
Company Contributions to Medical and Pension Funds	47 931	50 116
Cellphone Allowance	2 400	-
Housing	15 600	15 600
Total	1 075 149	952 672
<i>Remuneration of the Manager: Support Services</i> <i>(Seconded to Kai Garib Local Municipality)</i>		
Annual Remuneration	-	432 000
Acting Allowance	194 997	-
Cellphone Allowance	14 950	-
Performance Bonus	102 072	102 072
Car Allowance	-	194 250
Housing	-	11 700
Total	312 019	740 022
<i>Remuneration of the Manager: Corporate Services</i>		
Annual Remuneration	428 031	400 815
Performance Bonus	102 072	-
Car Allowance	346 294	266 944
Acting Allowance	-	21 214
Cellphone Allowance	-	1 760
Company Contributions to Medical and Pension Funds	118 431	114 267
Housing	15 600	15 600
Total	1 010 428	850 600
The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:		
Staff Leave Benefits:-		
Municipal Manager	84 578	18 316
Acting Director: Finance	24 709	26 539
Director: Support Services	94 464	23 040
Director: Corporate Services	20 545	17 636
Total	224 296	85 531

Refer to Appendix G for more detail.

22 REMUNERATION OF COUNCILLORS

Mayor	538 871	513 749
Speaker	418 414	410 999
Executive Committee Members	666 853	641 791
Councillors	697 680	720 174
Company Contributions to UIF, Medical and Pension Funds	32 184	31 402
UIF	3 421	3 569
Skills Development Levy	28 764	27 833
Other Allowances (Cellular Phones, Housing, Transport, etc.)	836 196	759 489
Telephone Allowance	146 808	96 481
Travelling Allowance	689 388	663 008
Total Councillors' Remuneration	3 190 198	3 077 604

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

In-kind Benefits

The Councillors occupying the positions of Executive Mayor and Speaker of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has use of Council owned vehicles for official duties.

Refer to Appendix G for more detail.

	2015 R	2014 R
23 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	839 915	1 013 552
Amortisation: Intangible Assets	77 664	72 964
Total Depreciation and Amortisation	917 580	1 086 515

24 IMPAIRMENT LOSSES

24.1 Impairment Losses on Assets

Impairment Losses Recognised:

Non-current Assets Held-for-Sale	-	453 197
	-	453 197
	-	453 197

24.2 Impairment Losses on Financial Assets

Impairment Losses Recognised (written off during the current year):

VAT Receivable	505 421	900 909
	505 421	900 909

Movement in the Provision for Receivables from Exchange Transactions:

Receivables from Exchange Transactions	123 306	-
	123 306	-
	628 727	900 909

Total Impairment Losses

	628 727	1 354 106
--	----------------	------------------

Attributable to:

Continuing Operations	628 727	900 909
Discontinued Operations	-	453 197
	628 727	1 354 106

Non-current Assets Held-for-Sale have been restated to correctly disclose Discontinued Operations according to the revised GRAP 100. Refer to Note 31 on 'Change in Accounting Policy' for details of the restatement.

An impairment loss of R453 197 was recognised in 2013/14 financial year on reclassification of the property as held-for-sale at the lower of its carrying amount and fair value less costs to sell under the old GRAP 100 measurement requirements.

An impairment loss was recognised after an audit was performed by SARS during the 2014/15 financial year and therefore VAT Receivables were written-off by R505 421 .

An impairment loss was provided during the 2014/15 financial year due to the uncertainty of the recoverability of outstanding debtors of R123 306 .

25 REPAIRS AND MAINTENANCE

Land and Buildings	95 296	112 370
Other Assets	194 299	280 106
Intangible Assets	273 347	229 256
Total Repairs and Maintenance	562 942	621 732

Repairs and Maintenance has been restated to correctly classify telephone cost under General Expenses . Refer to Note 32 on 'Correction of Error' for details of the restatement.

26 FINANCE COSTS

Finance Leases	-	56
Loans and Payables at amortised cost	120 317	219 844
Total Interest Paid on External Borrowings	120 317	219 900

27 CONTRACTED SERVICES

Professional Fees	27 615	85 125
Total Contracted Services	27 615	85 125

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
28 GRANTS AND SUBSIDIES PAID		
Conditional Grants Paid	4 010 881	3 737 513
Total Grants and Subsidies	4 010 881	3 737 513

Grants and Subsidies Paid have been restated to correctly reclassify Grants and Subsidies paid out of General Expenses. Refer to Note 32 on 'Correction of Error' for details of the restatement.

These expenditure were incurred in respect of operational conditional grants, ex. FMG and MSIG, and internal projects launched by council at disadvantage communities

29 GENERAL EXPENSES

Included in General Expenses are the following:

External Audit Fees	2 107 290	1 699 231
Accounting	200	-
Advertisements	146 166	136 834
Bank charges	65 440	60 258
Bouquets	600	3 768
Brochures	11 343	44 313
Cleaning materials	22 672	19 398
Cleaning Services	61 829	71 225
Compensation Commissioner	529 600	298 216
Congress	18 654	12 118
Consumables	20 652	25 372
Contracts	288 949	278 414
Electricity	337 157	335 547
Entertainment Costs	255 882	235 008
Fruitless	77 760	27 249
Fuel and Oil	401 851	757 710
Hall hire	-	43 792
Information Technology	67 179	79 909
Insurance	175 209	301 193
Internet Charges	70 893	438 188
Legal Fees	96 647	234 008
License Fees	5 811	5 220
Material	-	112
Mayoral Funds	368 457	806 585
Medical examinations	2 000	49 506
Membership Fees	510 466	472 241
Operating project	6 366	22 119
Parts	25 059	17 901
Performance management	10 741	-
Postage Fees	3 392	8 889
Printing & Stationary	79 931	176 458
Property rates	128 577	91 172
Protective Clothing	3 282	3 514
Radios	-	1 050
Refreshments	18 996	8 364
Rental of assets	852 693	856 875
Sanitation and sewerage	53 773	97 739
Special programmes	88 924	36 442
Study aid	43 263	31 566
Subsistence Allowance	1 025 530	920 935
Sundry Expenses	68 787	47 922
Telephone	754 966	390 625
Training	102 600	139 511
Translation services	29 011	35 785
Travel Costs	1 141 657	1 285 893
Uniforms	18 481	19 966
Vehicle expenses	35 531	61 626
Water costs	25 199	26 919
Total General Expenses	10 159 466	10 716 684

General Expenses have been restated to correctly reclassify expenditures in General Expenses. Refer to Note 32 on 'Correction of Error' for details of the restatement.

No other extra-ordinary expenses were incurred.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
30 LOSS ON DISPOSAL OF ASSETS		
Losses with disposal of PPE	-	447 635
Losses on write-offs	108 623	50 674
Losses on Transfer of Infrastructure to Local Municipality	-	6 641 544
Net Other Losses	108 623	7 139 852

Every year an auction is held to dispose old and unused assets that were written off by Council on year-end. Proceeds received during the current financial year's auction were R3 680 (2014: R488 000).

Property, Plant and Equipment (Infrastructure: Sewer Network) have been transferred to Kai !Garib Local Municipality in July 2013.

31 CHANGE IN ACCOUNTING POLICY

31.1 Reclassification of Non-current Assets Held-for-Sale

GRAP 100, revised in February 2013, withdrew the measurement, presentation and disclosure requirements related to Non-Current Assets Held For Sale.

Changes to the way in which non-current assets held for sale are measured, have been applied prospectively at the beginning of the period in which these amendments are adopted.

Changes to the way in which non-current assets held for sale are classified and presented on the Statement of Financial Position and accompanying notes, have been applied retrospectively by adjusting information for the earliest period presented.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

The effect of the changes are as follows:

	Non-current Assets Held-for- Sale	Property, Plant and Equipment
Total as per AFS previously published for 2013/14	2 200 000	22 012 254
Reclassification of Non-current Assets Held-for-Sale	(2 200 000)	2 200 000
Restated Total as per AFS currently disclosed for 2013/14	-	24 212 254
Restated Total for 30 June 2013	-	-

Effect of the Change in Accounting Policy:

The effect from the above-mentioned changes in Accounting Policies on the profit and loss and the nature of the changes in the Accounting Policies is as follows:

	2015 R	2014 R
- GRAP 17 Property, Plant and Equipment (Depreciation)	75 455	-
- GRAP 100 Discontinued Operations	-	-
Total Decrease / (Increase) in Surplus as at 30 June	75 455	-

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2014 and the Accumulated Surplus of prior years was not affected either.

32 CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2015 and 30 June 2014.

Details of the appropriations are as follows:

Opening balance surplus account (excluding Surplus/Deficit)	(3 286 353)	5 520 993
Published Surplus / (deficit) for the year	(4 967 792)	(8 857 014)
Unappropriated Surplus Account:		
Correction of Payables from Exchange Transactions	-	45 005
Correction of Taxes and Transfers Payable	-	(5 280)
Correction of VAT Receivables	-	(1 392)
Correction of Receivables from Exchange Transactions	-	11 334
Increase / (Decrease) in Unappropriated Surplus Account - Correction of error	-	49 667
Closing balance Surplus Account	(8 254 145)	(3 286 353)

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Nature

Payables from Exchange Transactions

- 1) During the preparation of the 2014/2015 annual financial statements it was noted that the outstanding Trade Creditors on 30 June 2014 was overstated by R20 950. Payments made to creditors during the 2013/2014 financial year were incorrectly allocated to the expenditures in the Statement of Financial Performance and not to Trade Creditors in the Statement of Financial Position. Therefore the difference of R20 950 was retrospectively corrected to decrease the Trade Creditors on 30 June 2014.
- 2) During the preparation of the 2014/2015 annual financial statements it was noted that Trade Creditors on 30 June 2014 was overstated by R5 280. Payments made to creditors during the 2013/2014 financial year were incorrectly allocated to the Kgotsa Pula Nala Project suspense vote in the Statement of Financial Position and not to Trade Creditors in the Statement of Financial Position. Therefore the difference of R5 280 was retrospectively corrected to decrease the Trade Creditors on 30 June 2014.
- 3) During the preparation of the 2014/2015 annual financial statements it was noted that ZFM owed Khara Hais Municipality R61 283 on 30 June 2014 for outstanding hall rentals which was not included in the Trade Creditors on 30 June 2014. Therefore the difference of R61 283 was retrospectively corrected to increase the Trade Creditors on 30 June 2014.
- 4) During the preparation of the 2014/2015 annual financial statements it was noted that J Etzebeth rendered services before 30 June 2014 but was not recorded as a Trade Creditors on 30 June 2014. Therefore the difference of R9 350 was retrospectively corrected to increase the Trade Creditors on 30 June 2014.
- 5) During the preparation of the 2014/2015 annual financial statements it was noted that leave balances of employees were incorrectly calculated by the leave system. All the leave balances of employees were reviewed by Human Resources and Internal Audit Unit. Therefore the difference of R89 408 was retrospectively corrected to decrease the Leave Accrual on 30 June 2014.

Taxes and Transfers Payable

- 1) During the preparation of the 2014/2015 annual financial statements it was noted that the Kgotsa Pula Nala Project suspense vote was understated by R5 280. Payments made to creditors during the 2013/2014 financial year were incorrectly allocated to the Kgotsa Pula Nala Project suspense vote in the Statement of Financial Position and not to Trade Creditors in the Statement of Financial Position. Therefore the difference of R5 280 was retrospectively corrected to increase the Taxes and Transfers Payable on 30 June 2014.

Receivables from Exchange Transactions

- 1) During the preparation of the 2014/2015 annual financial statements it was noted that Media 24 had a debit balance of R11 334 as at 30 June 2014 and was not accounted for as an Other Debtors in the 2013/2014 Statement of Financial Position. Therefore the difference of R11 334 was retrospectively corrected to increase Other Debtors on 30 June 2014.

VAT Receivables

- 1) During the preparation of the 2014/2015 annual financial statements it was noted that Media 24 had a debit balance of R11 334 as at 30 June 2014 and was not accounted for as an Other Debtors in the 2013/2014 Statement of Financial Position which also resulted in VAT Payables not accounted for. Therefore the difference of R1 392 (R11 334 x 14 /114) was retrospectively corrected to decrease VAT Receivables on 30 June 2014.

32.1 Reclassification of Revenue

The effect of the Correction of Error is as follows:

		2013/14 Expenditure	Adjustment	Restated Amount
Other Income	Note 20	(961 625)	(422 055)	(1 383 681)
		<u>(961 625)</u>	<u>(422 055)</u>	<u>(1 383 681)</u>

Nature

Other Income

- 1) During the preparation of the 2014/2015 annual financial statements it was noted that Actuarial Gains were classified under Employee Related Cost and not under Actuarial Gains in Other Income. Therefore the difference of R442 055 was retrospectively corrected to increase Employee Related Cost and increase Other Income on 30 June 2014.

32.2 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the Municipality.

The effect of the Correction of Error is as follows:

		2013/14 Expenditure	Adjustment	Restated Amount
Employee Related Costs	Note 21	35 280 139	(332 647)	35 612 787
Repairs and Maintenance	Note 25	666 540	44 808	621 732
Grants and Subsidies Paid	Note 28	3 745 458	7 945	3 737 513
General Expenses	Note 29	10 624 190	(92 494)	10 716 684
		<u>50 316 327</u>	<u>(372 388)</u>	<u>50 688 715</u>

Nature

Employee Related Costs

- 1) During the preparation of the 2014/2015 annual financial statements it was noted that Actuarial Gains were classified under Employee Related Cost and not under Actuarial Gains in Other Income. Therefore the difference of R442 055 was retrospectively corrected to increase Employee Related Cost and increase Other Income on 30 June 2014.
- 2) During the preparation of the 2014/2015 annual financial statements it was noted that leave balances of employees were incorrectly calculated by the leave system. All the leave balances of employees were reviewed by Human Resources and Internal Audit Unit. Therefore the difference of R89 408 was retrospectively corrected to decrease the Employee Related Cost on 30 June 2014.

Repairs and Maintenance

- 1) During the preparation of the 2014/2015 annual financial statements it was noted that one Telkom account was classified under Repairs and Maintenance and not under Telephone Cost in General Expenses. Therefore the difference of R44 808 was retrospectively corrected to decrease Repairs and Maintenance and increase General Expenses on 30 June 2014.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Grants and Subsidies Paid

1) During the preparation of the 2014/2015 annual financial statements it was noted that the outstanding Trade Creditors on 30 June 2014 was overstated by R7 945. Payments made to creditors during the 2013/2014 financial year were incorrectly allocated to Grants and Subsidies Paid in the Statement of Financial Performance and not to Trade Creditors in the Statement of Financial Position. Therefore the difference of R7 945 was retrospectively corrected to decrease Grants and Subsidies Paid on 30 June 2014.

General Expenses

- 1) During the preparation of the 2014/2015 annual financial statements it was noted that the outstanding Trade Creditors on 30 June 2014 was overstated by R13 005. Payments made to creditors during the 2013/2014 financial year were incorrectly allocated to General Expenses in the Statement of Financial Performance and not to Trade Creditors in the Statement of Financial Position. Therefore the difference of R13 005 was retrospectively corrected to decrease General Expenses on 30 June 2014.
- 2) During the preparation of the 2014/2015 annual financial statements it was noted that ZFM owed Khara Hais Municipality R61283 on 30 June 2014 for outstanding hall rentals which was not included in the Trade Creditors on 30 June 2014. Therefore the difference of R61 283 was retrospectively corrected to increase General Expenses on 30 June 2014.
- 3) During the preparation of the 2014/2015 annual financial statements it was noted that Media 24 had a debit balance of R11 334 as at 30 June 2014 and was not accounted for as an Other Debtors in the 2013/2014 Statement of Financial Position which also resulted in General Expenses not accounted for. Therefore the difference of R9 942 (R11 334 - R1 392) was retrospectively corrected to decrease General Expenses on 30 June 2014.
- 4) During the preparation of the 2014/2015 annual financial statements it was noted that one Telkom account was classified under Repairs and Maintenance and not under Telephone Cost in General Expenses. Therefore the difference of R44 808 was retrospectively corrected to decrease Repairs and Maintenance and increase General Expenses on 30 June 2014.
- 5) During the preparation of the 2014/2015 annual financial statements it was noted that J Etzebeth rendered services before 30 June 2014 but was not recorded as a Trade Creditors on 30 June 2014. Therefore the difference of R9 350 was retrospectively corrected to increase the General Expenses on 30 June 2014.

32.3 Reclassification of Statement of Financial Position

The prior year balances of items on the Statement of Financial Position have been restated to correctly

The effect of the Correction of Error is as follows:

		2013/14 Financial Position	Adjustment	Restated Amount
Assets				
Receivables from Non-exchange Transactions	Note 2	122 395	11 334	133 729
VAT Receivable	Note 3	248 745	(1 392)	247 353
Liabilities				
Payables from Exchange Transactions	Note 9	(4 968 647)	45 005	(4 923 642)
Taxes and Transfers Payable	Note 10	(1 683 814)	(5 280)	(1 689 094)
		(6 281 321)	49 667	(6 231 654)

Nature

Receivables from Exchange Transactions

1) During the preparation of the 2014/2015 annual financial statements it was noted that Media 24 had a debit balance of R11 334 as at 30 June 2014 and was not accounted for as an Other Debtors in the 2013/2014 Statement of Financial Position. Therefore the difference of R11 334 was retrospectively corrected to increase Other Debtors on 30 June 2014.

VAT Receivables

1) During the preparation of the 2014/2015 annual financial statements it was noted that Media 24 had a debit balance of R11 334 as at 30 June 2014 and was not accounted for as an Other Debtors in the 2013/2014 Statement of Financial Position which also resulted in VAT Payables not accounted for. Therefore the difference of R1 392 (R11 334 x 14 /114) was retrospectively corrected to decrease VAT Receivables on 30 June 2014.

Payables from Exchange Transactions

- 1) During the preparation of the 2014/2015 annual financial statements it was noted that the outstanding Trade Creditors on 30 June 2014 was overstated by R20 949.80. Payments made to creditors during the 2013/2014 financial year were incorrectly allocated to the expenditures in the Statement of Financial Performance and not to Trade Creditors in the Statement of Financial Position. Therefore the difference of R20 949.80 was retrospectively corrected to decrease the Trade Creditors on 30 June 2014.
- 2) During the preparation of the 2014/2015 annual financial statements it was noted that Trade Creditors on 30 June 2014 was overstated by R5 280. Payments made to creditors during the 2013/2014 financial year were incorrectly allocated to the Kgotsso Pula Nala Project suspense vote in the Statement of Financial Position and not to Trade Creditors in the Statement of Financial Position. Therefore the difference of R5 280 was retrospectively corrected to decrease the Trade Creditors on 30 June 2014.
- 3) During the preparation of the 2014/2015 annual financial statements it was noted that ZFM owed Khara Hais Municipality R80 738.45 on 30 June 2014 for outstanding hall rentals which was not included in the Trade Creditors on 30 June 2014. Therefore the difference of R80 738.45 was retrospectively corrected to increase the Trade Creditors on 30 June 2014.
- 4) During the preparation of the 2014/2015 annual financial statements it was noted that J Etzebeth rendered services before 30 June 2014 but was not recorded as a Trade Creditors on 30 June 2014. Therefore the difference of R9 350 was retrospectively corrected to increase the Trade Creditors on 30 June 2014.
- 5) During the preparation of the 2014/2015 annual financial statements it was noted that leave balances of employees were incorrectly calculated by the leave system. All the leave balances of employees were reviewed by Human Resources and Internal Audit Unit. Therefore the difference of R94 634 was retrospectively corrected to decrease the Leave Accrual on 30 June 2014.

Taxes and Transfers Payable

1) During the preparation of the 2014/2015 annual financial statements it was noted that the Kgotsso Pula Nala Project suspense vote was understated by R5 280. Payments made to creditors during the 2013/2014 financial year were incorrectly allocated to the Kgotsso Pula Nala Project suspense vote in the Statement of Financial Position and not to Trade Creditors in the Statement of Financial Position. Therefore the difference of R5 280 was retrospectively corrected to increase the Taxes and Transfers Payable on 30 June 2014.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
33 CHANGE IN ACCOUNTING ESTIMATES		
33.1 Depreciation Expenditure:		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2015 and no changes were made for the 2014/15 financial year. Adjustments were made to the remaining useful lives in the current year and affected the amount of depreciation for the 2014/15 financial year. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(58 576)	(57 415)
Increase / (Decrease) in Depreciation of PPE	(58 576)	(57 415)
Depreciation as previously stated	976 156	1 143 930
Adjustment due to Change in Accounting Estimate	(58 576)	(57 415)
Depreciation as per Note 23	917 580	1 086 515

34 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	(4 967 792)	(8 807 347)
Adjustment for:		
Depreciation and Amortisation	917 580	1 086 515
Loss / (Gains) on Disposal of Property, Plant and Equipment	107 549	497 574
Loss / (Gains) on Transfer of Property, Plant and Equipment - Infrastructure Transferred	-	6 641 544
Loss / (Gains) on Write-off of Intangible Assets	1 074	735
Impairment Loss on reclassification of Property, Plant and Equipment to Assets-Held-for-Sale	-	453 197
Contribution to Employee Benefit Liabilities	1 841 530	1 393 494
Expenditure incurred from Employee Benefit Liabilities	(1 846 669)	(1 443 862)
Contribution to Provisions - Current	347 917	564 780
Expenditure incurred from Provisions - Current	(486 216)	(351 353)
Contribution to Impairment Provision	86 930	-
VAT Receivable Written-off	505 421	900 909
Operating surplus before working capital changes	(3 492 676)	936 185
Decrease/(Increase) in Inventories	-	47 502
Decrease/(Increase) in Receivables from Exchange Transactions	(277 116)	(101 630)
Decrease/(Increase) in VAT Receivable	(740 452)	2 224 732
Decrease/(Increase) in Current Portion of Finance Lease Receivables	4 785	(140)
Increase/(Decrease) in Payables from Exchange Transactions	2 539 240	(601 549)
Increase/(Decrease) in Taxes and Transfers Payable	(1 689 094)	(1 436 446)
Increase/(Decrease) in Conditional Grants and Receipts	2 126 636	(352 778)
Cash generated by / (utilised in) Operations	(1 528 677)	715 877

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

35.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
Unauthorised Expenditure current year (refer to detail below)	2 469 671	6 641 544
Expenditure investigated and approved by Council	(2 469 671)	(6 641 544)
Unauthorised Expenditure awaiting authorisation	-	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted Expenditure votes exceeded:-</i>	
- Executive and Council - R581 538 (2014: R0)	Condoned by Council
- Budget and Treasury Office - R489 494 (2014: R0)	Condoned by Council
- Corporate Services - R1 398 638 (2014: R0)	Condoned by Council
- Municipal Support - R0 (2014: R0)	Condoned by Council

Unauthorised Expenditure for 2014/15:

The main reasons for the unauthorised expenditure:

- 1) ZFM did not budget for any Impairment Losses of R628 727 during the financial year.
- 2) ZFM incorrectly understated Employee Related Cost during the budget processes.

Unauthorised Expenditure for 2013/14:

A Sewer Network was completed and was transferred to Kai Garib on 30 September 2013 according to the Proclamation 10, 14 & 15 dated 4 February 2010. ZFM did not budget for the transfer of this project of R6 641 544. The transfer was not an actual cash outflow for ZFM when the asset was transferred to Kai Garib Local Municipality. It is also not part of ZFM's operational activities and ZFM received no income for this transfer due to the Proclamation.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
35.2 Fruitless and Wasteful Expenditure		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	17 491	-
Fruitless and Wasteful Expenditure current year	77 760	33 359
Expenditure investigated and approved by Council	(39 208)	(15 868)
Fruitless and Wasteful Expenditure awaiting condonement	<u>56 043</u>	<u>17 491</u>

Fruitless and Wasteful Expenditure summary for 2014/15 financial year.:

Incident	Disciplinary Steps	Amount
Payment into incorrect bank account: Documentation was received by ZFM to change the banking details of Usentra (Edms) Bpk but ZFM did not confirm this with Usentra (Edms) Bpk. Usentra (Edms) Bpk informed ZFM that they did not receive the rental for April 2015. After investigation by ZFM it was evident that the documentation received by ZFM was fabricated and that the money was paid to another person's bank account and withdrawn by the person on the same day. This was reported to the South African Police Services for further investigation.	Awaiting investigation results from the South African Police Service and ABSA.	56 043
Payment made to De Klerk van Gend attorneys for not submitting information before a due date set by the court.	Investigated and no disciplinary steps to be taken by Council	8 597
Interest charged on old Telkom accounts received during 2014/15 financial year.	Investigated and no disciplinary steps to be taken by Council	6 934
Interest charged on old Khara Hais Municipal accounts received during 2014/15 financial year.	Investigated and no disciplinary steps to be taken by Council	6 186
Total:		<u><u>77 760</u></u>

Fruitless and Wasteful Expenditure summary for 2013/14 financial year.:

Incident	Disciplinary Steps	Amount
Compensation Commissioner: During the preparation of the 2013/2014 annual financial statements it was noted that ZFM did not received any assessments from the Compensation Commissioner after regular interactions with them. ZFM appointed a specialised consultant to obtain these assessments from the Compensation Commissioner and it was noted that ZFM had an outstanding amount of R728 677 which include interest and penalties of R15 868. R9 758 relating to current year and R6 110 relating to prior year but was identified in the current year.	Investigated and no disciplinary steps to be taken by Council	6 110
		9 758
Interest charged on old Khara Hais Municipal accounts received during 2014/15 financial year. This amount relates to interest charged for the 2013/14 financial year.	Investigated and no disciplinary steps to be taken by Council	17 491
Total:		<u><u>33 359</u></u>

	2015 R	2014 R
35.3 Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	3 959 783	3 959 783
Irregular Expenditure current year	-	-
Expenditure investigated, approved and condoned by Council	-	-
To be recovered – contingent asset (see Note 42)	-	-
Irregular Expenditure awaiting condonement from National Treasury	<u>3 959 783</u>	<u>3 959 783</u>

Condonement of Irregular expenses:

In terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. ZFM District Municipality has investigated all irregular expenditures and no official was liable for these expenses after the investigation. Therefore a debt cannot be created. Each instance and reason for the items that lead to irregular expenditure were, after investigation, presented to Council. Council agreed with ZFM that no person or entity should be held liable for the irregular expenditure that was incurred. The municipality is now busy with the condonement process with National Treasury to condone these irregular expenses.

There were no Irregular Expenditure for the 2014/15 and 2013/14 financial year.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
36.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	500 000	450 000
Amount Paid - current year	(500 000)	(450 000)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
36.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee (VAT excluded)	2 107 290	1 699 231
Amount Paid - current year (VAT excluded)	(2 107 290)	(1 699 231)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
36.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Note 3. All VAT returns have been submitted by the due date throughout the year.		
36.4 PAYE, Skills Development Levy and UIF		
Opening Balance	-	-
Current year Payroll Deductions	6 130 809	5 354 565
Amount Paid - current year	(6 130 809)	(5 354 565)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
36.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	5 037 295	4 589 980
Amount Paid - current year	(5 037 295)	(4 589 980)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>
36.6 Councillor's arrear Consumer Accounts		
During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.		
36.7 Non-Compliance of the Municipal Finance Management Act		
No known matters existed at reporting date.		
36.8 Non-Compliance of the Municipal Systems Act		
Managers directly accountable to the Municipal Manager exceeded the acting periods in terms of Section 56(1)(a)(ii) of Local Government: Municipal Systems Act.		
- P Beukes: Exceeded the Director: Financial Services' acting period from January 2015 to April 2015.		
- J van Wyk: Exceeded the Director: Municipal Support' acting period during July 2014 and October 2014 to December 2014.		
36.9 Deviation from, and ratification of minor breaches of, the Procurement Processes		
In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.		
Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the various cases.		

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Successful Tenderer	Occasions	Reason	Amount
CORPORATE SERVICES	Various	12	Impractical to obtain 3 quotations	113 205
	Various	14	Single provider only	75 846
	Various	17	Impractical for procurement processes	154 008
	Various	4	Emergency	58 281
47 Occasions during the year amounts to R401 340				
FINANCE	Various	3	Impractical to obtain 3 quotations	408 995
	Various	11	Single provider only	125 130
	Various	3	Impractical for procurement processes	17 787
17 Occasions during the year amounts to R551 912				
MAYOR'S OFFICE	Various	18	Impractical to obtain 3 quotations	66 098
	Various	46	Impractical for procurement processes	173 172
64 Occasions during the year amounts to R239 270				
MUNICIPAL SUPPORT	SALGA	1	Single provider only	500 000
	Various	2	Emergency	110 969
3 Occasions during the year amounts to R610 969				
MUNICIPAL MANAGER	Various	3	Impractical to obtain 3 quotations	24 149
	Various	9	Single provider only	134 597
	Various	2	Impractical for procurement processes	6 620
	SA Airlink	1	Emergency	4 316
15 Occasions during the year amounts to R169 682				
Total:				1 973 172

36.10 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

The Electricity and Water functions were transferred to the local municipalities. Thus no material Electricity and Water Losses occurred.

37 COMMITMENTS FOR EXPENDITURE

37.1 Capital Commitments

The municipality had no capital commitments at year-end.

37.2 Other Commitments

- Approved and Contracted for:-

General Voice Equipment
Office Space Rentals
Insurance Contract
Housing Sector Plan
Outstanding orders

5 034 854	-
2 227 539	-
1 625 310	-
734 219	-
398 430	-
49 356	-

- Approved but Not Yet Contracted for:-

General Voice Equipment

-	2 727 600
-	2 727 600

Total Capital Commitments

5 034 854	2 727 600
------------------	------------------

This expenditure will be financed from:

Government Grants
Own Resources

398 430	-
4 636 424	2 727 600
5 034 854	2 727 600

General Voice Equipment:

The Municipality has an agreement with URB Klank & Beeld to rent and maintenance a telephone system from 1 August 2014 to 31 July 2019. There are no annual escalations and the total tender value of R2 727 600 (incl. VAT) was awarded in February 2014. On 30 June 2015 the outstanding commitment to URB Klank and Beeld was R2 227 539 (incl. VAT). URB Klank & Beeld was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Office Space Rentals:

The Municipality has a lease agreement with Ancorley Gebou (Edms) Bpk to rent office space from 1 February 2015 to 31 January 2018. There are annual escalations which are included in the total tender value of R1 863 556 (incl. VAT). The tender was awarded in July 2014. On 30 June 2015 the outstanding commitment to Ancorley Gebou (Edms) Bpk was R1 625 310 (incl. VAT). Ancorley Gebou (Edms) Bpk was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Insurance Contract:

The Municipality has a contract with AON to insure all municipal assets from 1 July 2015 to 30 June 2018. There are annual escalations which are included in the total tender value of R734 219 (incl. VAT). The tender was awarded in June 2015. On 30 June 2015 the outstanding commitment to AON was the same as the tender value of R734 219 (incl. VAT) as the first payment of the tender is due in July 2015. AON was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Housing Sector Plan:

The Municipality has an agreement with Aga Mzansi Technical to compile a housing sector plan for the 2015/16 financial year. There are no annual escalations and the total tender value of R398 430 (incl. VAT) was awarded in March 2015. On 30 June 2015 the outstanding commitment to Aga Mzansi Technical was the same as the tender value of R398 430 (incl. VAT) as the first payment of the tender is due in 2015/16 financial year. Aga Mzansi Technical was appointed through a tender process and was approved by Council. Council adhered to the requirements of sec 33 of the MFMA.

Outstanding Orders:

The Municipality has outstanding orders at year-end for services and goods not yet delivered. Therefore the municipality has a commitment with suppliers to render these services or goods after year-end which amounts to R49 356 (30 June 2014: R0).

38 FINANCIAL INSTRUMENTS

38.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

		2015 R	2014 R
FINANCIAL ASSETS			
<u>Financial Assets</u>	<u>Classification</u>		
Finance Lease Receivables			
Housing Selling Scheme Loans	Amortised cost	80 489	77 738
Receivables from Exchange Transactions			
Other Receivables	Amortised cost	323 915	133 729
Cash and Cash Equivalents			
Call Deposits	Amortised cost	2 398	1 781 382
Bank Balances	Amortised cost	90 695	1 513 170
Cash Floats and Advances	Financial Assets at Fair Value	11 901	12 800
Current Portion of Long-term Receivables			
Housing Selling Scheme Loans	Amortised cost	4 482	9 267
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Finance Lease Receivables	Housing Selling Scheme Loans	80 489	77 738
Receivables from Exchange Transactions	Other Debtors	323 915	133 729
Cash and Cash Equivalents	Call Deposits	2 398	1 781 382
Cash and Cash Equivalents	Bank Balances	90 695	1 513 170
Current Portion of Long-term Receivables	Housing Selling Scheme Loans	4 482	9 267
		501 979	3 515 285
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	11 901	12 800
		11 901	12 800
Total Financial Assets		513 881	3 528 086

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	104 410	583 672
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	5 555 515	3 109 777
Staff Leave Accrued	Amortised cost	1 513 049	1 516 389
Retentions	Amortised cost	297 476	297 476
Suspense Accounts - Support	Amortised cost	96 842	-
<u>Financial Liabilities</u>	<u>Classification</u>		
Taxes and Transfers Payable			
Suspense Accounts - Kgotsi Pula Nala Project	Amortised cost		1 417 574
Suspense Accounts - Bloodhound Project	Amortised cost		270 820
Other Creditors	Amortised cost		700
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	474 901	890 087

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	104 410	583 672
Payables from Exchange Transactions	Trade Creditors	5 555 515	3 109 777
Payables from Exchange Transactions	Suspense Accounts - Support	96 842	-
Payables from Exchange Transactions	Retentions	297 476	297 476
Payables from Exchange Transactions	Staff Leave Accrued	1 513 049	1 516 389
Taxes and Transfers Payable	Suspense Acc. - Kgotso Pula Nala Project	-	1 417 574
Taxes and Transfers Payable	Suspense Acc. - Bloodhound Project	-	270 820
Taxes and Transfers Payable	Other Creditors	-	700
Current Portion of Long-term Liabilities	Annuity Loans	474 901	890 087
Total Financial Liabilities		8 042 192	8 086 495

38.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2015, as a result of the short-term maturity of these assets and liabilities.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2015		30 June 2014	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	501 979	501 979	3 515 285	3 515 285
Finance Lease Receivables	80 489	80 489	77 738	77 738
Call Deposits	2 398	2 398	1 781 382	1 781 382
Bank Balances and Cash	90 695	90 695	1 513 170	1 513 170
Trade Receivables from Exchange Transactions	323 915	323 915	133 729	133 729
Current Portion of Long-term Receivables	4 482	4 482	9 267	9 267
Measured at Fair Value	11 901	11 901	12 800	12 800
Cash Floats and Advances	11 901	11 901	12 800	12 800
Total Financial Assets	513 881	513 881	3 528 086	3 528 086
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	8 042 192	8 042 192	8 086 495	8 086 495
Annuity Loans	104 410	104 410	583 672	583 672
Payables from Exchange Transactions	7 462 882	7 462 882	4 923 642	4 923 642
Taxes and Transfers Payable	-	-	1 689 094	1 689 094
Current Portion of Long-term Liabilities	474 901	474 901	890 087	890 087
Total Financial Instruments	(7 528 312)	(7 528 312)	(4 558 410)	(4 558 410)
Unrecognised Gain / (Loss)				
		-		-

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2015

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash Floats and Advances	11 901	-	-	11 901
Total Financial Assets	11 901	-	-	11 901
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
No Financial Liabilities at Fair Value	-	-	-	-
Total Financial Liabilities	-	-	-	-
Total Financial Instruments	11 901	-	-	11 901

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2014

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash Floats and Advances	12 800	-	-	12 800
Total Financial Assets	<u>12 800</u>	<u>-</u>	<u>-</u>	<u>12 800</u>
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
No Financial Liabilities at Fair Value	-	-	-	-
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>12 800</u>	<u>-</u>	<u>-</u>	<u>12 800</u>

38.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities, Accumulated Surplus and the Statement of Changes in Net Assets.

Gearing Ratio

The municipality considers the cost of capital and the risks associated with each class of capital. The Municipality do not borrow money for any operational activities.

	2015 R	2014 R
The gearing ratio at the year-end was as follows:		
Debt	579 311	1 473 760
Cash and Cash Equivalents	(104 995)	(3 307 352)
Net Debt / (Cash Available)	<u>474 316</u>	<u>(1 833 593)</u>
Equity	<u>(8 254 145)</u>	<u>(3 286 353)</u>
Net debt to equity ratio	<u>5.75%</u>	<u>(55.79%)</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Notes 13.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

38.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

38.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

38.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

38.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

38.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, Finance Lease Receivable and loan payables. The Entity is not exposed to interest rate risk on these financial instruments, as the rates applicable are fixed interest rates.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date.

	2015 R	2014 R
Interest received		
Interest Earned - Outstanding Debtors (Excluding once-off VAT Receivable interest)	4 293	4 512
Interest Earned - External Investments	305 804	456 659
	<u><u>310 097</u></u>	<u><u>461 171</u></u>
 Average Interest rate	 <u><u>4%</u></u>	 <u><u>4%</u></u>
 Effect of a change in interest rate on interest received:		
Effect of change in interest rate %	1%	1%
Effect of change in interest rate Rand value	88 301	113 397
	<u><u>88 301</u></u>	<u><u>113 397</u></u>
 Effect of change in interest rate %	 2%	 2%
Effect of change in interest rate Rand value	176 602	226 794
	<u><u>176 602</u></u>	<u><u>226 794</u></u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
<u>Financial Liabilities</u>	<u>Classification</u>		
Interest paid			
Long-term Liabilities		120 317	219 900
Interest rate %		10%	10%
Effect of a change in interest rate on interest paid:			
Effect of change in interest rate	%	1%	1%
Effect of change in interest rate	Rand value	12 032	21 990
Effect of change in interest rate	%	2%	2%
Effect of change in interest rate	Rand value	24 063	43 980

38.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors were transferred to the Local Municipalities.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a small number of trade debtors, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2015 R	2014 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Finance Lease Receivables	80 489	77 738
Receivables from Exchange Transactions	447 221	170 105
Bank, Cash and Cash Equivalents	104 995	3 307 352
Maximum Credit and Interest Risk Exposure	632 705	3 555 195

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

38 FINANCIAL INSTRUMENTS (Continued)

38.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in Note 42 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. Interest payable is linked to the prime interest rate.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Financial Liabilities

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2015								
Non-interest Bearing		0.00%	7 462 882	7 462 882	-	-	-	-
- Payables from Exchange Transactions	9		7 462 882	7 462 882	-	-	-	-
Fixed Interest Rate Instruments		10.00%	579 311	-	474 901	104 410	-	-
- DBSA	13		579 311	-	474 901	104 410	-	-
		10.00%	8 042 192	7 462 882	474 901	104 410	-	-
30 June 2014								
Non-interest Bearing		0.00%	6 612 736	6 612 736	-	-	-	-
- Payables from Exchange Transactions	9		4 923 642	4 923 642	-	-	-	-
- Taxes and Transfers Payable	10		1 689 094	1 689 094	-	-	-	-
Fixed Interest Rate Instruments		10.00%	1 473 760	-	890 087	583 672	-	-
- DBSA			1 473 760	-	890 087	583 672	-	-
		10.00%	8 086 495	6 612 736	890 087	583 672	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Financial Assets

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2015								
Non-interest Bearing		0.00%	323 915	323 915	-	-	-	-
- Trade Receivables from Exchange Transactions	3		323 915	323 915	-	-	-	-
Variable Interest Rate Instruments		2.31%	104 995	104 995	-	-	-	-
- Call Deposits	6	5.88%	2 398	2 398	-	-	-	-
- Petty Cash	6	0.12%	11 901	11 901	-	-	-	-
- Bank Account	6	2.50%	90 695	90 695	-	-	-	-
Fixed Interest Rate Instruments		5.00%	84 971	84 971	-	-	-	-
- Finance Lease Receivables	9		84 971	84 971	-	-	-	-
		3.51%	513 881	513 881	-	-	-	-
30 June 2014								
Non-interest Bearing		0.00%	133 729	133 729	-	-	-	-
- Trade Receivables from Exchange Transactions	3		133 729	133 729	-	-	-	-
Variable Interest Rate Instruments		4.04%	3 307 352	3 307 352	-	-	-	-
- Call Deposits		5.38%	1 781 382	1 781 382	-	-	-	-
- Petty Cash	6	0.12%	12 800	12 800	-	-	-	-
- Bank Account		2.50%	1 513 170	1 513 170	-	-	-	-
Fixed Interest Rate Instruments	9	5.00%	87 005	87 005	-	-	-	-
- Finance Lease Receivables			87 005	87 005	-	-	-	-
		4.07%	3 528 086	3 528 086	-	-	-	-

38.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

39 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All Councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where Councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the Municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R 1 587 373 (2014: R1 253 241) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

Defined Benefit Scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2012 disclosed an actuarial valuation amounting to R3 014 878 (2011: R2 971 150) million, with a net accumulated deficit of R18 287 (2011: R58 935) million, with a funding level of 99.4% (2011: 104.1%).

Defined Contribution Scheme

The actuarial valuation report at 30 June 2012 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R 421 900 (2011: R386 570) million, net investment reserve of R21 231 (2011: R15 285) million and a funding level of 105.3% (2011: 104.1%).

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 599 and R546 059 (30 June 2011: R9 930,837 in total) million, with funding levels of 99.9% and 108% (2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The last statutory valuation was performed as at 30 June 2011.

The interim valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R1 041 (30 June 2010: R1 483) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The net assets available for benefits were R2 456 (2005: R1 511) million.

The statutory valuation performed as at 30 June 2008 revealed that the fund had a deficit of R0 (30 June 2005: R0), with a funding level of 100% (30 June 2007: 100%). Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

40 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

40.1 Interest of Related Parties

Councillors and/or Management of the Municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
G. Van Staden	Mayor	Director at Upington Convenience Centre (Pty)Ltd Director at SA Soutwerke (Pty) Ltd Director at Upington Super Salt (Pty) Ltd Director at Kwari Ya Letswei (Pty) Ltd Director at Gold Tune Trading 30 (Pty) Ltd
P. Kotze	Councillor	Director at Feed 4 U (Pty) Ltd
M. Mabilo	Councillor	Director at TCF Funeral Services (Pty) Ltd
G.H. Mothibi	Councillor	Director at Tsantsabane Social and Labour Development Forum Director at Northern Cape Mining Logistics and Services (Pty) Ltd Director at Charofo (Pty) Ltd
E. Mnyaka	Councillor	Director at Rosedale Skills Development and Innovation
H. Combrinck	Middle Manager	Director at Kalahari Kuierfees
F. Strauss	Middle Manager	Member at WJP Strauss Boerdery CC
H. Theron	Middle Manager	Director at S Schroeder and Associates
J. Willemse	Middle Manager	Member at Black Sparrow Trading CC
B.Van Kratenburg	Middle Manager	Director at BMD trading (Pty) Ltd
J.Van Wyk	Middle Manager	Director at JVW Group (Pty) Ltd

The following Councillors and/or Management of the Municipality was in businesses but resigned from the business:

Name of Related Person	Designation	Description of Related Party Relationship
G. Van Staden	Mayor	Member of Rainbow Moon Trading 25 Member of Upgro Local Business Service Centre
P. Kotze	Councillor	South African Meat Industry Company
H. Combrinck	Middle Manager	Member of Tumelo Youth Farm CC
G. Mnganga	Middle Manager	Director at Mnganga civil and property developers (Pty) Ltd
J. Nengome	Middle Manager	Member of Sedzaphanda Building Construction CC

The following Councillors and/or Management of the Municipality have relationships with businesses in final deregistration:

Name of Related Person	Designation	Description of Related Party Relationship
G. Van Staden	Mayor	Director at Siyanda Economic Development Director at Noord-Kaap Stigting vir Welsyn en Ontwikkeling
Z.S. Mjila	Speaker	Member at Henbase 2584 CC
B. Bock	Councillor	Member at BM Bock Construction and Community Development CC
B. Sinxeve	Councillor	Member at Kakamas Construction CC
P. Wetbooi	Councillor	Member at Scenic Route Trading 246 CC
D.L. De Wee	Councillor	Member at Catherine's Trading CC
A.M. Isaacs	Councillor	Member at Hoezit's Entertainment Enterprise CC
P. Kotze	Councillor	Director of Unitrade 824 (Pty) Ltd
E. Ntoba	Municipal Manager	Member at Abaphumeleli Trading 873 CC Director at Notba Trading (Pty) Ltd
H. Combrinck	Middle Manager	Director at Northern Cape Youth Development Agency
G. Mnganga	Middle Manager	Member at Rehoboth MG Civil Services
G. Cloete	Middle Manager	Member at BC2S Construction Consulting and Trading Services CC
J. Willemse	Middle Manager	Member at Brainwave Projects 1567 CC

The following Councillors and/or Management of the Municipality have no relationships with businesses:

Name of Related Person	Designation	Description of Related Party Relationship
C. Tities	Councillor	No relationship with businesses
K.W. Dodds	Councillor	No relationship with businesses
A. De Bruin	Councillor	No relationship with businesses
D.Z. Ntlanganiso	Councillor	No relationship with businesses
S.P. May	Councillor	No relationship with businesses
J. Assegai	Councillor	No relationship with businesses
J. Thomas	Councillor	No relationship with businesses

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Name of Related Person	Designation	Description of Related Party Relationship
S. Esau	Councillor	No relationship with businesses
M. Oliphant	Councillor	No relationship with businesses
P.M. Mgcera	Councillor	No relationship with businesses
J.G. Lategan	Director	No relationship with businesses
P. Beukes	Director	No relationship with businesses
D.J. Van Zyl	Director	No relationship with businesses
A. Kitching	Middle Manager	No relationship with businesses
S. Titus	Middle Manager	No relationship with businesses
A. Tities	Middle Manager	No relationship with businesses
D. Lekanyane	Middle Manager	No relationship with businesses
F.P. Ruppig	Middle Manager	No relationship with businesses
P.B. Feris	Middle Manager	No relationship with businesses
J. Shorty	Middle Manager	No relationship with businesses
T. Job	Middle Manager	No relationship with businesses
E. Steenkamp	Middle Manager	No relationship with businesses
M. Manye	Middle Manager	No relationship with businesses
M. Mathe	Middle Manager	No relationship with businesses
B. Knouwds	Middle Manager	No relationship with businesses
G. Present	Middle Manager	No relationship with businesses
R. Snyders	Middle Manager	No relationship with businesses
E. Van der Westhuizen	Middle Manager	No relationship with businesses
J. Visagie	Middle Manager	No relationship with businesses
C. Malgas	Middle Manager	No relationship with businesses
A. Phete	Middle Manager	No relationship with businesses
P. Montshiwa	Middle Manager	No relationship with businesses
E.R. Britz	Middle Manager	No relationship with businesses

40.2 Services rendered to Related Parties

The Municipality did not render any services during the year to anyone that can be considered as a related party.

40.3 Loans granted to Related Parties

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by ZFM District Municipality.

40.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

40.5 Purchases from Related Parties

The Municipality did not purchase goods from anyone during the year that can be considered as a related party.

40.6 Related Parties of Spouses

The Municipality performed CIPC checks on spouses of senior- and middle managers during the year to identify related party transactions but none were identified..

	2015	2014
	R	R
41 CONTINGENT LIABILITIES		
41.1 Court Proceedings:	381 041	20 000
Government Handbook: Claim against the Municipality handled by Becker, Bergh & More regarding a cancellation of a contract. The attorneys suggested that the matter will be defended as the signatory of the contract had no authority. Possible obligation to the Municipality.	-	20 000
April Jacobs: Claim against the Municipality handled by Becker, Bergh & More regarding an unfair dismissal. Commissioner found no unfair dismissal and application for rescission is pending. Possible obligation to the Municipality.	31 041	-
Jolene van Wyk: Claim against the Municipality handled by Lulama Lobi Inc regarding a review of an appointment. Possible obligation to the Municipality.	350 000	-
42 CONTINGENT ASSETS		
42.1 Insurance Claims:	9 800	8 699
(i) Lost / Damaged Assets:		
The Municipality has claims outstanding against its Insurers for lost and/or damaged assets. Management believe that it is probable that the claims will be successful and that compensation of R9 800 will be recovered.	9 800	8 699

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

42.2 Court Proceedings:

	<u>99 323</u>	<u>135 699</u>
(i) DV Konstruksie The Municipality is suing DV Konstruksie in respect of a payment made to the contractor for services not delivered by them.	55 664	55 664
(ii) ALFA Paneelkloppers The Municipality is suing ALFA Paneelkloppers in respect of previous rent not charged.	-	36 376
(iii) NASHUA The Municipality is suing NASHUA in respect of monies paid on expired contracts.	43 659	43 659

43 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any In-kind Donations and Assistance during the year under review.

44 PRIVATE PUBLIC PARTNERSHIPS

The Municipality was not a party to any Private Public Partnerships during the year under review.

45 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

46 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Estimates (Note 33) and Prior Period Errors (Note 32).

47 MANAGEMENT'S GOING CONCERN ASSESSMENT

Management considered the following matters in relation to the Going Concern position of ZF Mgcawu:

- (i) On 30 June 2015 Council adopted the 2015/16 to 2017/18 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) fund the on-going municipal support that will be rendered to our local municipalities and reflected that the Budget was cash-backed over the three-year period.
- (ii) The Municipality's Budget was subjected to an independent assessment process by Provincial Treasury to assess its cash-backing status and other budgetary key performance indicators. The outcome of the cash back assessment was positive.
- (iii) Strict daily cash management processes are embedded in the Municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. Cash flow reporting has been refined by building in cash back figures to portray the net cash flow positions on a daily basis.
- (iv) The Municipality developed a cost containment and budget monitoring yardstick in order to measure operational and capital budget performance on a monthly basis. Minimum cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is our largest portion of operational revenue source. The Municipality has no bank overdraft facility to cover short term cash shortfalls as and when the need arises.
- (v) The Municipality is in a material sense grant dependent and renders mainly support to local municipalities in the ZF Mgcawu district. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions are instituted.
- (vi) An operational efficiency plan has been develop by Management to ensure that operations are effected in the most cost-effective manner possible whilst still ensuring that quality is not compromised.
- (vii) The DBSA loans will be paid in full by December 2015 and ZFM will save on the total annual installments of approximately R474 901 per annum.
- (viii) A marketing document has been developed by Management to obtain funds from external parties to increase our revenue resources in order to render better services to the Local Municipalities in the district.
- (ix) All outstanding creditors on 30 June 2015 were fully paid during July and August 2015. These payments were included in ZFM's 2015/16 cash management report.

Taking the aforementioned into account, Management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
ZF MGCAWU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2014	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2015
	R				R	R	R	R
ANNUITY LOANS								
Annuity Loan: Cillie Sewerage	598 648	10.00%	9752/102	30/04/2016	40 899	-	(40 899)	-
Annuity Loan: Neilersdrift Sewerage	391 494	10.00%	9754/102	30/04/2016	54 355	-	(54 355)	-
Annuity Loan: Groblershoop water	729 766	10.00%	9755/102	30/04/2016	278 827	-	(84 048)	194 779
Annuity Loan: Tlhakatlou Sewerage	3 245 000	10.00%	10080/105	30/04/2016	440 751	-	(286 631)	154 121
Annuity Loan: Boichoko Postmasburg	5 230 000	10.00%	10084/103	30/04/2016	658 927	-	(428 516)	230 412
Total Annuity Loans	12 054 864				1 473 760	-	(894 449)	579 311
TOTAL EXTERNAL LOANS	12 054 864				1 473 760	-	(894 449)	579 311

Annuity Loan: Cillie Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Cillie Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Neilersdrift Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Neilersdrift Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Groblershoop water

Structured unsecured 20 year loan for provision of infrastructure: Groblershoop water Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Tlhakatlou Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Tlhakatlou Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Boichoko Postmasburg

Structured unsecured 20 year loan for provision of infrastructure: Boichoko Postmasburg Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX B
ZF MGCAWU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2015
	Opening Balance	Additions	Under Construction Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land	18 516 000	-	-	-	-	18 516 000	-	-	-	-	-	18 516 000	-
Building	3 716 000	-	-	-	-	3 716 000	863 520	82 240	-	-	945 760	2 770 240	-
	22 232 000	-	-	-	-	22 232 000	863 520	82 240	-	-	945 760	21 286 240	-
Other Assets													
Emergency Equipment													
Fire Fighting Equipment	1 800	-	-	-	-	1 800	1 583	17	-	-	1 601	199	-
Medical Equipment	12 600	-	-	-	-	12 600	10 577	262	-	-	10 838	1 762	-
Furniture and Fittings													
Cabinets and cupboards	338 881	22 291	-	(24 250)	-	336 922	245 606	28 866	(20 679)	-	253 794	83 128	-
Chairs	401 921	29 746	-	(17 598)	-	414 069	303 319	23 128	(14 205)	-	312 242	101 827	-
Furniture	12 164	-	-	-	-	12 164	447	2 190	-	-	2 637	9 527	-
Other furniture	304 360	66 205	-	(30 325)	-	340 240	235 483	29 030	(18 808)	-	245 705	94 535	-
Tables and desks	475 937	50 553	-	(22 144)	-	504 346	347 865	40 579	(18 618)	-	369 826	134 520	-
Motor Vehicles:													
Motor Cars	1 122 455	-	-	-	-	1 122 455	173 860	154 159	-	-	328 018	794 437	-
Trucks And Bakkies	824 174	-	-	-	-	824 174	270 062	71 079	-	-	341 141	483 033	-
Office Equipment:													
Computer Hardware	1 196 365	544 894	-	(212 574)	-	1 528 685	761 099	218 662	(148 039)	-	831 723	696 962	-
Office Machines & Other	867 124	-	-	(165 775)	-	701 349	614 729	117 700	(142 495)	-	589 934	111 416	-
Printer, Fax, Copier	125 147	-	-	-	-	125 147	43 598	38 345	-	-	81 943	43 204	-
Plant and Equipment:													
Other Equipment	1 391	-	-	-	-	1 391	59	250	-	-	310	1 081	-
Other Plant and Equipment	106 451	-	-	-	-	106 451	72 935	10 039	-	-	82 974	23 477	-
Radio Equipment	26 909	-	-	(1 500)	-	25 409	23 408	373	(1 315)	-	22 465	2 944	-
Security Equipment	134 708	6 600	-	(1 456)	-	139 852	48 386	16 524	(235)	-	64 675	75 177	-
Tractor	233 700	-	-	-	-	233 700	189 297	6 472	-	-	195 769	37 931	-
	6 186 086	720 289	-	(475 621)	-	6 430 753	3 342 312	757 674	(364 392)	-	3 735 594	2 695 159	1 203 500
Total PPE	28 418 086	720 289	-	(475 621)	-	28 662 753	4 205 832	839 914	(364 392)	-	4 681 354	23 981 399	1 203 500
Intangible Assets													
Computer Software	357 675	59 871	-	(10 400)	-	407 146	206 050	77 664	(9 326)	-	274 388	132 757	-
Total Intangible Assets	357 675	59 871	-	(10 400)	-	407 146	206 050	77 664	(9 326)	-	274 388	132 757	-
Total Asset Register	28 775 761	780 160	-	(486 021)	-	29 069 899	4 411 882	917 578	(373 718)	-	4 955 743	24 114 157	1 203 500

APPENDIX C
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2015

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	726 095	126 820	-	(41 814)	-	811 101	(515 383)	(77 987)	29 918	-	(563 452)	247 649
Council Administration	111 360	15 194	-	(12 201)	-	114 354	(84 850)	(11 427)	5 129	-	(91 148)	23 206
Council Services	272 096	-	-	-	-	272 096	(187 028)	(24 289)	-	-	(211 317)	60 779
Internal Audit	147 512	-	-	(19 332)	-	128 181	(101 027)	(9 074)	16 719	-	(93 382)	34 799
Municipal Manager	191 294	111 625	-	(10 281)	-	292 638	(141 449)	(32 287)	8 070	-	(165 665)	126 973
Risk Management	3 832	-	-	-	-	3 832	(1 030)	(910)	-	-	(1 939)	1 893
Budget and Treasury Office	2 212 369	-	-	(75 630)	-	2 136 739	(866 771)	(228 959)	64 320	-	(1 031 410)	1 105 329
Asset Management Unit	15 241	-	-	-	-	15 241	(6 163)	(4 675)	-	-	(10 838)	4 404
Budget & Treasury Office	22 116	-	-	-	-	22 116	(1 138)	(6 599)	-	-	(7 736)	14 380
Expenditure Unit	231	-	-	-	-	231	(14)	(42)	-	-	(55)	176
Financial Services	736 978	-	-	(75 630)	-	661 348	(574 774)	(37 337)	64 320	-	(547 791)	113 557
Supply Chain Management	6 809	-	-	-	-	6 809	(1 344)	(2 090)	-	-	(3 434)	3 375
Vehicles	1 430 994	-	-	-	-	1 430 994	(283 339)	(178 217)	-	-	(461 556)	969 438
Corporate Services	24 736 241	300 606	-	(157 236)	-	24 879 610	(2 179 966)	(534 808)	131 327	-	(2 583 446)	22 296 164
Administration	454 313	-	-	(12 519)	-	441 794	(326 542)	(52 374)	11 177	-	(367 739)	74 055
Communication & Liaison	8 782	-	-	-	-	8 782	(414)	(2 640)	-	-	(3 053)	5 728
Human Resources	699 457	-	-	(24 389)	-	675 069	(308 015)	(54 610)	20 996	-	(341 628)	333 440
Information Technology	915 066	263 606	-	(38 407)	-	1 140 266	(446 569)	(278 213)	27 380	-	(697 402)	442 863
Property Services	22 649 708	37 000	-	(73 007)	-	22 613 701	(1 090 820)	(146 464)	63 660	-	(1 173 624)	21 440 077
Security Services	8 915	-	-	(8 915)	-	-	(7 606)	(508)	8 114	-	(0)	(0)
Municipal Support	1 101 056	352 734	-	(211 341)	-	1 242 449	(849 763)	(75 824)	148 152	-	(777 435)	465 014
Community Service Ad	-	-	-	-	-	-	-	-	-	-	-	-
Disaster Mangement	5 123	5 518	-	-	-	10 641	(926)	(2 023)	-	-	(2 949)	7 692
Engineering Services	445 170	17 394	-	(33 613)	-	428 951	(359 619)	(19 190)	28 449	-	(350 360)	78 591
Environmental Health	178 897	-	-	(22 421)	-	156 476	(141 309)	(9 451)	19 121	-	(131 639)	24 837
Housing Accreditation	128 159	70 667	-	(82 374)	-	116 451	(95 279)	(21 258)	39 837	-	(76 699)	39 752
LED	1 444	-	-	-	-	1 444	(555)	(334)	-	-	(889)	555
Municipal Support Services	96 352	-	-	(14 943)	-	81 410	(76 888)	(4 474)	13 059	-	(68 303)	13 107
PIMMS	63 803	259 156	-	(15 395)	-	307 563	(42 056)	(6 533)	12 307	-	(36 282)	271 281
Tourism	182 108	-	-	(42 596)	-	139 512	(133 131)	(12 562)	35 379	-	(110 314)	29 198
Total	28 775 761	780 160	-	(486 021)	-	29 069 899	(4 411 882)	(917 578)	373 718	-	(4 955 743)	24 114 157

APPENDIX D
ZF MGCWU DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual Income	2014 Budgeted Income	2014 Actual Expenditure	2014 Budgeted Expenditure	2014 Surplus/ (Deficit)	Description	Vote Number	2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
-	-	12 660 019	12 657 896	(12 660 019)	Executive and Council		-	-	13 425 930	12 844 391	(13 425 930)
-	-	2 212 585	2 222 596	(2 212 585)	Council Administration	1009	-	-	2 661 949	2 779 161	(2 661 949)
-	-	5 374 604	5 378 503	(5 374 604)	Council Services	1010	-	-	5 152 286	4 928 891	(5 152 286)
-	-	1 962 573	1 963 293	(1 962 573)	Internal Audit	1005	-	-	1 963 414	1 978 829	(1 963 414)
-	-	2 825 908	2 808 788	(2 825 908)	Municipal Manager	1001	-	-	3 271 929	2 747 346	(3 271 929)
-	-	284 348	284 716	(284 348)	Risk Management	1007	-	-	376 352	410 164	(376 352)
49 198 297	53 827 544	14 087 019	14 101 395	35 111 278	Budget and treasury office		49 628 186	54 368 500	13 183 758	12 694 264	36 444 428
47 948 297	52 577 544	2 721 631	2 723 442	45 226 666	Budget & Treasury Office	1021	48 378 186	53 118 500	2 148 243	1 503 975	46 229 944
-	-	3 407 301	3 409 141	(3 407 301)	Expenditure Unit	1023	-	-	3 681 680	3 804 186	(3 681 680)
1 250 000	1 250 000	4 293 419	4 293 483	(3 043 419)	Financial Services	1020	1 250 000	1 250 000	4 158 830	4 101 193	(2 908 830)
-	-	1 340 636	1 347 426	(1 340 636)	Supply Chain Management	1024	-	-	1 223 894	1 202 325	(1 223 894)
-	-	2 164 983	2 168 854	(2 164 983)	Asset Management Unit	1025	-	-	1 792 896	2 002 585	(1 792 896)
-	-	159 049	159 049	(159 049)	Vehicles	1003	-	-	178 217	80 000	(178 217)
489 114	25 000	16 110 367	15 737 266	(15 621 253)	Corporate services		211 367	50 000	17 226 460	15 827 822	(17 015 093)
-	-	4 882 179	4 831 598	(4 882 179)	Administration	1049	-	-	5 382 408	4 666 550	(5 382 408)
-	-	1 662 634	1 665 206	(1 662 634)	Communication & Liaison	1012	-	-	1 902 403	1 938 447	(1 902 403)
489 114	25 000	5 037 972	4 660 579	(4 548 858)	Human Resources	1046	211 367	50 000	5 347 235	4 744 211	(5 135 868)
-	-	1 913 594	1 959 760	(1 913 594)	Information Technology	1022	-	-	1 662 922	1 662 922	(1 662 922)
-	-	904 670	906 699	(904 670)	Property Services	1048	-	-	1 204 699	1 225 736	(1 204 699)
-	-	1 709 318	1 713 424	(1 709 318)	Security Services	1050	-	-	1 726 793	1 629 631	(1 726 793)
5 157 061	4 928 480	20 794 413	14 271 078	(15 637 352)	Municipal support		3 611 657	3 934 000	14 582 854	14 967 690	(10 971 197)
-	-	6 641 544	-	(6 641 544)	Community Service Ad	4250	-	-	-	-	-
4 512	-	-	-	4 512	Administration 2	7550	4 293	-	-	-	4 293
-	-	866 166	867 757	(866 166)	Municipal Support Services	1006	-	-	247 757	448 441	(247 757)
-	-	2 598 543	2 603 735	(2 598 543)	Environmental Health	1040	-	-	2 792 921	2 783 677	(2 792 921)
769 120	1 000 000	2 231 471	2 320 947	(1 462 351)	Housing Accreditation	1033	1 170 928	1 370 000	2 723 849	2 730 332	(1 552 921)
-	-	657 011	670 659	(657 011)	Tourism	1014	-	-	618 211	468 443	(618 211)
2 103 672	2 438 480	2 163 842	2 166 905	(60 170)	Engineering Services	1030	1 000 000	1 000 000	2 265 449	2 419 257	(1 265 449)
-	-	815 675	815 848	(815 675)	PMS	1008	-	-	1 115 006	985 807	(1 115 006)
-	-	512 742	512 914	(512 742)	LED	1015	-	-	528 190	532 620	(528 190)
890 000	890 000	2 114 223	2 118 636	(1 224 223)	PIMMS	1004	934 000	934 000	2 183 779	1 914 659	(1 249 779)
1 389 758	600 000	2 193 197	2 193 677	(803 439)	Disaster Mangement	1002	502 435	630 000	2 018 148	2 684 454	(1 515 713)
-	-	-	-	-	Roadworks	2160	-	-	89 544	-	(89 544)
-	-	-	-	-	Roadworks Routine Ma	2060	-	-	-	-	-
54 844 471	58 781 024	63 651 818	56 767 635	(8 807 347)	Sub-Total		53 451 210	58 352 500	58 419 002	56 334 167	(4 967 792)
					Revenue Foregone						
54 844 471	58 781 024	63 651 818	56 767 635	(8 807 347)	Total		53 451 210	58 352 500	58 419 002	56 334 167	(4 967 792)

APPENDIX E(1)
ZF MGCAWU DISTRICT MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15										2013/14			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE - STANDARD	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Governance and Administration:														
Executive and Council	100 000	(100 000)	-	-	-	-	-	-	0.00	0.00				-
Budget and Treasury Office	54 974 000	(605 500)	54 368 500	-	54 368 500	49 628 186	-	(4 740 314)	91.28	90.28				49 198 297
Corporate Services	50 000	-	50 000	-	50 000	215 660	-	165 660	431.32	431.32				493 626
Community and Public Safety:														
Public Safety	630 000	-	630 000	-	630 000	502 435	-	(127 565)	79.75	79.75				1 389 758
Housing	1 000 000	370 000	1 370 000	-	1 370 000	1 170 928	-	(199 072)	85.47	117.09				769 120
Economic and Environmental Services:														
Planning and Development	2 931 000	(997 000)	1 934 000	-	1 934 000	1 934 000	-	-	100.00	65.98				2 993 672
Total Revenue - Standard	59 685 000	(1 332 500)	58 352 500	-	58 352 500	53 451 210	-	(4 901 290)	91.60	89.56	-	-	-	54 844 471
EXPENDITURE - STANDARD														
Governance and Administration:														
Executive and Council	13 945 813	(1 333 054)	12 612 759	231 632	12 844 391	13 425 930	-	581 538	104.53	96.27				12 660 019
Budget and Treasury Office	10 030 271	(741 229)	9 289 042	120 312	9 409 354	9 988 752	-	579 398	106.16	99.59				10 422 351
Corporate Services	17 518 111	607 356	18 125 467	(193 925)	17 931 542	18 942 430	-	1 010 888	105.64	108.13				18 931 882
Community and Public Safety:														
Community and Social Services	-	-	-	-	-	-	-	-	0.00	0.00				6 641 544
Sport and Recreation	-	-	-	-	-	-	-	-	0.00	0.00				-
Public Safety	4 034 202	395 383	4 429 585	(115 500)	4 314 085	3 744 941	-	(569 144)	86.81	92.83				3 902 515
Housing	2 227 464	507 868	2 735 332	(5 000)	2 730 332	2 723 849	-	(6 483)	99.76	122.28				2 231 471
Health	2 778 417	7 759	2 786 176	(2 499)	2 783 677	2 792 921	-	9 244	100.33	100.52				2 598 543
Economic and Environmental Services:														
Planning and Development	6 228 126	(367 682)	5 860 444	(8 101)	5 852 343	6 092 424	-	240 081	104.10	97.82				5 606 482
Road Transport	-	-	-	-	-	89 544	-	89 544	0.00	0.00				-
Other:														
Tourism	648 416	(153 053)	495 363	(26 920)	468 443	618 211	-	149 768	131.97	95.34				657 011
Intergovernmental & Special Projects	-	-	-	-	-	-	-	-	0.00	0.00				-
Total Expenditure - Standard	57 410 819	(1 076 652)	56 334 167	-	56 334 167	58 419 002	-	2 084 835	103.70	101.76	-	-	-	63 651 818
Surplus/(Deficit) for the year	2 274 181	(255 848)	2 018 333	-	2 018 333	(4 967 792)	-	(6 986 125)	-	-	-	-	-	(8 807 347)

APPENDIX E(2)
ZF MGCAWU DISTRICT MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15										2013/14			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE BY VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Vote 1 - Executive and council	100 000	(100 000)	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - Budget and treasury office	54 974 000	(605 500)	54 368 500	-	54 368 500	49 628 186	-	(4 740 314)	91.28	90.28	-	-	-	49 198 297
Vote 3 - Corporate services	50 000	-	50 000	-	50 000	211 367	-	161 367	422.73	422.73	-	-	-	489 114
Vote 4 - Municipal support	4 561 000	(627 000)	3 934 000	-	3 934 000	3 611 657	-	(322 343)	91.81	79.19	-	-	-	5 157 061
Total Revenue by Vote	59 685 000	(1 332 500)	58 352 500	-	58 352 500	53 451 210	-	(4 901 290)	91.60	89.56	-	-	-	54 844 471
EXPENDITURE BY VOTE														
Vote 1 - Executive and council	13 945 813	(1 333 054)	12 612 759	231 632	12 844 391	13 425 930	581 538	581 538	104.53	96.27	-	-	-	12 660 019
Vote 2 - Budget and treasury office	12 914 771	(369 920)	12 544 851	149 413	12 694 264	13 183 758	489 494	489 494	103.86	102.08	-	-	-	14 087 019
Vote 3 - Corporate services	14 531 134	1 528 213	16 059 347	(231 525)	15 827 822	17 226 460	1 398 638	1 398 638	108.84	118.55	-	-	-	16 110 367
Vote 4 - Municipal support	16 019 101	(901 891)	15 117 210	(149 520)	14 967 690	14 582 854	-	(384 836)	97.43	91.03	6 641 544	-	-	20 794 413
Total Expenditure by Vote	57 410 819	(1 076 652)	56 334 167	-	56 334 167	58 419 002	2 469 671	2 084 835	103.70	101.76	6 641 544	-	-	63 651 818
Surplus/(Deficit) for the year	2 274 181	(255 848)	2 018 333	-	2 018 333	(4 967 792)	(2 469 671)	(6 986 125)	0.00	0.00	(6 641 544)	-	-	(8 807 347)

APPENDIX E(3)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15										2013/14			
	Original Total	Budget	Final Adjustments	Virement	Final	Actual	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised	Expenditure authorised	Balance to be	Restated Audited
	Budget	Adjustments	Budget		Budget	Outcome	Expenditure		R	R	Expenditure	i.t.o. Sect 32	Recovered	Outcome
Revenue by Source	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Rental of Facilities and Equipment	40 000	5 000	45 000	-	45 000	44 594	-	(406)	99.10	111.48	-	-	-	33 348
Interest Earned - External Investments	350 000	200 000	550 000	-	550 000	305 804	-	(244 196)	55.60	87.37	-	-	-	456 659
Interest Earned - Outstanding Debtors	-	-	-	-	-	4 293	-	4 293	0.00	0.00	-	-	-	219 337
Public Contributions	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	2 500 000
Transfers Recognised - Operational	53 456 000	(677 000)	52 779 000	-	52 779 000	52 502 364	-	(276 636)	99.48	98.22	-	-	-	50 251 446
Other Revenue	2 639 000	(860 500)	1 778 500	-	1 778 500	594 156	-	(1 184 344)	33.41	22.51	-	-	-	1 383 681
Gains on Disposal of PPE	3 200 000	-	3 200 000	-	3 200 000	-	-	(3 200 000)	0.00	0.00	-	-	-	-
Total Revenue (excluding Capital)	59 685 000	(1 332 500)	58 352 500	-	58 352 500	53 451 210	-	(4 901 290)	91.60	89.56	-	-	-	54 844 471
Expenditure														
Employee Related Costs	39 112 472	(3 013 470)	36 099 002	(1)	36 099 002	38 692 654	1 840 944	2 593 652	107.18	98.93	-	-	-	35 612 787
Remuneration of Councillors	3 726 840	(635 804)	3 091 036	0	3 091 036	3 190 198	-	99 162	103.21	85.60	-	-	-	3 077 604
Debtor Impairment	-	-	-	-	-	628 727	-	628 727	-	0.00	-	-	-	900 909
Depreciation and Asset Impairment	762 550	14 484	777 034	80 000	857 034	917 578	-	60 544	107.06	120.33	-	-	-	1 539 712
Finance Charges	126 412	-	126 412	-	126 412	120 317	628 727	(6 095)	95.18	95.18	-	-	-	219 900
Other Materials	649 750	130 600	780 350	(266 267)	514 083	562 942	-	48 859	109.50	86.64	-	-	-	621 732
Contracted Services	30 000	-	30 000	-	30 000	27 615	-	(2 385)	92.05	92.05	-	-	-	85 125
Transfers and Grants	4 859 000	186 500	5 045 500	-	5 045 500	4 010 881	-	(1 034 619)	79.49	82.55	-	-	-	3 737 513
Other Expenditure	8 143 795	2 241 038	10 384 833	186 267	10 571 100	10 159 466	-	(411 634)	96.11	124.75	-	-	-	10 716 684
Loss on Disposal of PPE	-	-	-	-	-	108 623	-	108 623	-	0.00	6 641 544	-	-	7 139 852
Total Expenditure	57 410 819	(1 076 652)	56 334 167	-0	56 334 167	58 419 002	2 469 671	2 084 835	103.70	101.76	6 641 544	-	-	63 651 818
Surplus/(Deficit)	2 274 181	(255 848)	2 018 333	0	2 018 333	(4 967 792)	(2 469 671)	(6 986 125)	-	0.00	(6 641 544)	-	-	(8 807 347)
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	0.00	-	-	-	-
Surplus/(Deficit) for the Year	2 274 181	(255 848)	2 018 333	0	2 018 333	(4 967 792)	(2 469 671)	(6 986 125)	-	-	(6 641 544)	-	-	(8 807 347)
														0

APPENDIX E(4)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15											2013/14			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE															
Multi-year Expenditure															
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 2 - Budget & Treasury Office	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Vote 4 - Municipal Support	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Single-year Expenditure															
Vote 1 - Executive and Council	75 000	30 000	105 000	-	25 000	130 000	126 820	-	(3 180)	97.55	169.09	-	-	-	77 017
Vote 2 - Budget & Treasury Office	890 000	(390 000)	500 000	-	(85 000)	415 000	-	-	(415 000)	0.00	0.00	-	-	-	836 852
Vote 3 - Corporate Services	1 030 000	(780 000)	250 000	-	54 500	304 500	300 606	-	(3 894)	98.72	29.19	-	-	-	323 422
Vote 4 - Municipal Support	250 000	98 500	348 500	-	5 500	354 000	352 734	-	(1 266)	99.64	141.09	-	-	-	499 426
Total Capital Expenditure - Single-year	2 245 000	(1 041 500)	1 203 500	-	-	1 203 500	780 160	-	(423 340)	64.82	34.75	-	-	-	1 736 716
Total Capital Expenditure - Vote	2 245 000	(1 041 500)	1 203 500	-	-	1 203 500	780 160	-	(423 340)	64.82	34.75	-	-	-	1 736 716
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and council	75 000	30 000	105 000	-	25 000	130 000	126 820	-	(3 180)	97.55	169.09	-	-	-	77 017
Budget and treasury office	890 000	(390 000)	500 000	-	(85 000)	415 000	-	-	(415 000)	0.00	0.00	-	-	-	836 852
Corporate services	1 030 000	(780 000)	250 000	-	54 500	304 500	300 606	-	(3 894)	98.72	29.19	-	-	-	323 422
Other:															
Other	250 000	98 500	348 500	-	5 500	354 000	352 734	-	(1 266)	99.64	141.09	-	-	-	499 426
Total Capital Expenditure - Standard	2 245 000	(1 041 500)	1 203 500	-	-	1 203 500	780 160	-	(423 340)	64.82	34.75	-	-	-	1 736 716
FUNDED BY:															
National Government	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	736 716
Provincial Government	250 000	-	250 000	-	-	250 000	470 370	-	220 370	188.15	188.15	-	-	-	1 000 000
Transfers Recognised - Capital	250 000	-	250 000	-	-	250 000	470 370	-	220 370	188.15	188.15	-	-	-	1 736 716
Public Contributions	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Internally Generated Funds	1 995 000	(1 041 500)	953 500	-	-	953 500	309 790	-	(643 710)	32.49	15.53	-	-	-	-
Total Capital Funding	2 245 000	(1 041 500)	1 203 500	-	-	1 203 500	780 160	-	(423 340)	64.82	34.75	-	-	-	1 736 716

APPENDIX E(5)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15								2013/14
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Other Income	3 083 400	-	3 083 400	3 083 400	(410 410)	(3 493 810)	0.00	0.00	6 039 991
Government - Operating	52 459 000	-	52 459 000	52 459 000	54 158 630	1 699 630	103.24	103.24	49 421 558
Government - Capital	250 000	-	250 000	250 000	470 370	220 370	188.15	188.15	477 110
Interest	350 000	-	350 000	350 000	310 097	(39 903)	88.60	88.60	675 996
Payments									
Suppliers and Employees	(51 680 357)	186 500	(51 493 857)	(51 493 857)	(51 926 165)	(432 309)	100.84	100.48	(51 941 366)
Finance Charges	(123 912)	-	(123 912)	(123 912)	(120 317)	3 595	97.10	97.10	(219 900)
Transfers and Grants	(4 859 000)	(186 500)	(5 045 500)	(5 045 500)	(4 010 881)	1 034 619	79.49	82.55	(3 737 513)
NET CASH FROM / (USED) OPERATING ACTIVITIES	(520 869)	-	(520 869)	(520 869)	(1 528 677)	(1 007 808)	0.00	0.00	715 877
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	3 200 000	-	3 200 000	3 200 000	3 680	(3 196 320)	0.12	0.12	488 000
Property, Plant and Equipment transferred to Assets-Held-For-Sale	-	-	-	-	-	-	0.00	0.00	2 200 000
Assets-Held-For-Sale transferred to Property, Plant and Equipment	-	-	-	-	-	-	0.00	0.00	(2 200 000)
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	(2 752)	(2 752)	0.00	0.00	7 218
Payments									
Capital Assets	(2 245 000)	-	(2 245 000)	(2 245 000)	(780 160)	1 464 840	0.00	0.00	(1 736 716)
NET CASH FROM / (USED) INVESTING ACTIVITIES	955 000	-	955 000	955 000	(779 232)	(1 734 232)	0.00	0.00	(1 241 497)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	-	-	0.00	0.00	-
Payments									
Loans repaid	(890 000)	-	(890 000)	(890 000)	(894 449)	(4 449)	0.00	0.00	(1 090 782)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(890 000)	-	(890 000)	(890 000)	(894 449)	(4 449)	0.00	0.00	(1 090 782)
NET INCREASE / (DECREASE) IN CASH HELD	455 869	-	455 869	455 869	3 202 358	2 746 489	702.47	702.47	1 616 403
Cash / Cash Equivalents at the Year begin:	3 000 000	-	3 000 000	3 000 000	3 307 352	307 352	110.25	110.25	4 923 755
Cash / Cash Equivalents at the Year end:	2 544 131	-	2 544 131	2 544 131	104 995	(2 439 137)	4.13	4.13	3 307 352

APPENDIX F
ZF MGCAWU DISTRICT MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2015

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below
		Sept	Dec	March	June	Sept	Dec	March	June			
Disaster Management - Near Project Subsidy	COGHSTA - Provincial	-	-	315 000	350 000	35 997	48 418	9 549	126 222	N/A	N/A	Yes
Disaster Management - Fire Equipment Grant	COGHSTA - Provincial	-	-	315 000	350 000	-	191 054	65 896	25 300	N/A	N/A	Yes
EPWP Incentive Grant	DPWRT - Provincial	400 000	300 000	300 000	-	13 122	258 513	213 394	514 971	N/A	N/A	Yes
DRD RVM Sewernetwork	Department Rural Development	-	-	-	-	-	-	-	-	N/A	N/A	Yes
Municipal Systems Improvement Grant	COGHSTA - National	934 000	-	-	50 000	79 329	33 982	276 418	544 271	N/A	N/A	Yes
Financial Management Grant	National Treasury	1 250 000	-	-	-	248 140	210 453	4 517	786 891	N/A	N/A	Yes
Housing Accreditation DPLG National	COGHSTA - Provincial		1 370 000	-	1 050 000	211 480	153 247	618 642	187 560	N/A	N/A	Yes
Total Grants and Subsidies Received		2 584 000	1 670 000	930 000	1 800 000	588 067	895 666	1 188 415	2 185 214			
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?												

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2015

Incumbent	Fees for Services	Basic Salaries	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contributions to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R		R	R	R	R	R	R	R
Mayor												
G. van Staden	-	538 871	-	-		182 166	-	-	8 605	-	-	729 642
Speaker												
Z.S. Mjila	-	418 414	-	-		138 828	-	-	6 279	-	-	563 520
Executive Committee												
B. Sinxeve	-	222 284	-	-		75 143	20 868	-	3 031	-	-	321 327
G.H. Mothibi	-	222 284	-	-		75 143	20 868	-	3 031	-	-	321 327
P. Wetbooi	-	222 284	-	-		75 143	20 868	-	3 031	-	-	321 327
D.L. de Wee	-	161 661	-	-		54 649	20 868	-	2 272	-	-	239 451
C. Tieties	-	161 661	-	-		54 649	20 868	-	2 264	-	-	239 442
P.M. Kotze	-	161 661	-	-		54 649	20 868	-	2 272	-	-	239 451
Other Councillors												
K. Dodds	-	14 035	-	-	-	4 749	-	-	186	-	-	18 970
M. Oliphant	-	9 853	-	-	-	3 284	-	-	184	-	-	13 321
M. Mabilo	-	9 853	-	-	-	3 284	-	-	130	-	-	13 267
P.M. Mgqera	-	66 898	-	-	-	22 634	-	-	898	-	-	90 430
J. Joseph	-	5 999	-	-	5 999	-	-	-	-	-	-	11 998
J. Assegaai	-	-	-	-	5 999	-	-	-	-	-	-	5 999
J. Thomas	-	-	-	-	5 999	-	-	-	-	-	-	5 999
S.P. May	-	-	-	-	11 998	-	-	-	-	-	-	11 998
E. Mnyaka	-	-	-	-	8 570	-	-	-	-	-	-	8 570
D.Z. Ntlhanganiso	-	-	-	-	6 856	-	-	-	-	-	-	6 856
B. Bock	-	-	-	-	5 999	-	-	-	-	-	-	5 999
J. Isaacs	-	-	-	-	2 571	-	-	-	-	-	-	2 571
A. Isaacs	-	-	-	-	14 448	-	-	-	-	-	-	14 448
A.M. Van Wyk	-	-	-	-	4 285	-	-	-	-	-	-	4 285
Total for Councillors	-	2 215 759	-	-	72 724	744 323	125 208	-	32 184	-	-	3 190 198
Municipal Manager												
E. Ntoba	-	961 110	-	180 000	-	640 740	-	-	-	-	-	1 781 850
Chief Financial Officer												
P. Beukes (10 months)	-	454 178	-	102 072	-	254 209	-	13 000	35 577	-	-	859 035
A. Kitching (2 months)	-	68 637	-	-	-	130 122	2 400	2 600	12 355	-	-	216 114
	-	522 815	-	102 072	-	384 331	2 400	15 600	47 931	-	-	1 075 149
Manager: Municipal Support												
L.G. Lategan (seconded to Kai Garib)	-	-	-	102 072	-	-	-	-	-	-	-	102 072
J. van Wyk (Acting Director: 6 months)	-	-	-	-	-	-	7 475	-	-	99 641	-	107 116
A. Tieties (Acting Director: 6 months)	-	-	-	-	-	-	7 475	-	-	95 355	-	102 830
	-	-	-	102 072	-	-	14 950	-	-	194 997	-	312 019
Manager: Corporate Services												
D. Van Zyl	-	428 031	-	102 072	-	346 294	-	15 600	118 431	-	-	1 010 428
Total for Senior Managers	-	1 911 956	-	486 216	-	1 371 365	17 350	31 200	166 362	194 997	-	4 179 446
Total for Management	-	4 127 715	-	486 216		2 115 688	142 558	31 200	198 546	194 997	-	7 369 643

APPENDIX G
ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2014

Incumbent	Fees for Services	Basic Salaries	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contributions to UIF, Medical and	Acting Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R		R	R	R	R	R	R	R
Mayor												
G. van Staden	-	513 749	-	-		164 077	-	-	8 235	-	-	686 061
Speaker												
Z.S. Mjila	-	410 999	-	-		131 262	-	-	6 652	-	-	548 913
Executive Committee												
B. Sinxeve	-	219 969	-	-		67 682	16 420	-	2 905	-	-	306 976
G.H. Mothibi	-	219 969	-	-		67 682	16 420	-	2 905	-	-	306 976
P. Wetbooi	-	210 891	-	-		64 656	16 420	-	2 790	-	-	294 757
D.L. de Wee	-	145 866	-	-		40 750	12 342	-	1 817	-	-	200 775
C. Tieties	-	170 646	-	-		49 223	16 420	-	2 180	-	-	238 468
P.M. Kotze	-	170 646	-	-		49 223	16 420	-	2 180	-	-	238 468
Other Councillors												
K. Dodds	-	14 036	-	-	-	4 530	-	-	172	-	-	18 737
M. Oliphant	-	9 707	-	-	-	3 133	-	-	119	-	-	12 959
M. Mabilo	-	9 707	-	-	-	3 133	-	-	119	-	-	12 959
S. Esau	-	11 280	-	-	-	3 760	-	-	214	-	-	15 254
P.M. Mgcera	-	49 050	-	-	-	7 433	-	-	877	-	-	57 360
A. de Bruin	-	12 709	-	-	12 015	4 236	2 039	-	362	-	-	31 362
J. Joseph	-	6 683	-	-	3 428	2 228	-	-	253	-	-	12 592
J. Assegai	-	-	-	-	12 836	-	-	-	-	-	-	12 836
J. Thomas	-	-	-	-	13 525	-	-	-	-	-	-	13 525
S.P. May	-	-	-	-	15 239	-	-	-	-	-	-	15 239
E. Mnyaka	-	-	-	-	15 426	-	-	-	-	-	-	15 426
D.Z. Ntlhanganiso	-	-	-	-	14 485	-	-	-	-	-	-	14 485
B. Bock	-	-	-	-	10 553	-	-	-	-	-	-	10 553
A. Isaacs	-	-	-	-	12 920	-	-	-	-	-	-	12 920
Total for Councillors	-	2 175 907	-	-	110 427	663 008	96 481	-	31 781	-	-	3 077 604
Municipal Manager												
E. Ntoba (7 months)	-	518 409	-	-	-	345 606	-	-	-	-	-	864 015
D. Ngxanga (5 months)	-	340 000	-	147 209	-	131 825	-	-	-	-	-	619 034
	-	858 409	-	147 209	-	477 431	-	-	-	-	-	1 483 049
Chief Financial Officer												
P. Beukes	-	510 360	-	102 072	-	274 524	-	15 600	50 116	-	-	952 672
Manager: Municipal Support												
L.G. Lategan	-	432 000	-	102 072	-	194 250	-	11 700	-	-	-	740 022
Manager: Corporate Services												
D. Van Zyl	-	400 815	30 000	-	-	266 944	1 760	15 600	114 267	21 214	-	850 600
Total for Senior Managers	-	3 059 993	30 000	498 563	-	1 690 580	1 760	42 900	164 382	21 214	-	4 026 343
Total for Management	-	5 235 900	30 000	498 563		2 353 588	98 241	42 900	196 163	21 214	-	7 103 946

APPENDIX H

ZF MGCAWU DISTRICT MUNICIPALITY

RATIO ANALYSIS

30 June 2015

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
-------	------------	-------------------	-------------------------	--------------------

1. FINANCIAL POSITION

A. Asset Management/Utilisation

1	Capital Expenditure to Total Expenditure	10% - 20%		1%	District Municipalities have no capital projects as infrastructure is maintain by Local Municipalities.
			Total Operating Expenditure	58 419 002	
			Taxation Expense	-	
			Total Capital Expenditure	780 160	
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		3%	No Impairment of assets during the 2014/15 financial year.
			PPE, Investment Property and Intangible Impairment	628 727	
			PPE at carrying value	23 981 399	
			IP at carrying value	-	
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		2%	The majority of our PPE value is Land that has no maintenance on it.
			Total Repairs and Maintenance Expenditure	562 942	
			PPE at carrying value	23 981 399	
			Investment Property at Carrying value	-	

B. Debtors Management

ZFM has no consumer debtors.

C. Liquidity Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months		-1 Month	ZFM district municipality experienced cash flow problems during the 2014/15 financial year. Refer to Note 47, Management's Going Concern Assessment for more detail.
			Cash and cash equivalents	104 995	
			Unspent Conditional Grants	2 969 902	
			Overdraft	-	
			Short Term Investments	-	
			Total Annual Operational Expenditure	56 677 143	
2	Current Ratio	1.5 - 2:1		0.07	Current liabilities will be funded by the 2015/16 Equitable Share. This comes from prior years and will decrease every year due to the implementation of an Operational Efficiency Plan and Cash Flow Management Plan. Refer to Note 47, Management's Going Concern Assessment for more detail.
			Current Assets	915 776	
			Current Liabilities	12 898 782	

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		1%	ZFM has only Long-term liabilities and do not borrow money for operations.
			Interest Paid	120 317	
			Redemption	479 263	
			Total Operating Expenditure	56 677 143	
2	Debt (Total Borrowings) / Revenue	45%		11%	ZFM has only Long-term liabilities and do not borrow money for operations.
			Total Debt	104 410	
			Total Operating Revenue	53 451 210	
			Operational Conditional Grants	52 502 364	

APPENDIX H

ZF MGCAWU DISTRICT MUNICIPALITY

RATIO ANALYSIS

30 June 2015

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
-------	------------	-------------------	-------------------------	--------------------

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		-35%	Unspent Grants are not cash-backed as at 30 June 2015 but will be paid from the 2015/16 Equitable Share and is included in the Cash Flow Management Plan.
			Cash and cash Equivalents	104 995	
			Bank Overdraft	-	
			Short Term Investment	-	
			Long Term Investment	-	
			Unspent Grants	2 969 902	
			Net Assets	-	
			Share Premium	-	
			Share Capital	-	
			Revaluation Reserve	-	
			Fair Value Adjustment Reserve	-	
			Accumulated Surplus	-8 254 145	

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		-9%	ZFM is a non-profit organisation.
			Total Operating Revenue	53 451 210	
			Depreciation - Revalued Portion (Only populate if depreciation line item in		
			Total Operating Expenditure	58 419 002	
			Taxation Expense	-	

B. Distribution Losses

ZFM has transferred the distribution of water and electricity to Local Municipalities

C. Revenue Management

ZFM has limited revenue as all services were transferred to local Municipalities

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		26 days	Creditors were paid within 30 days
			Trade Creditors - Creditors Control	836 818	
			(Trade Creditors above excludes invoices of R1 857 596 received near year-end or after 30 June 2015)		
			Contracted Services	27 615	
			Repairs and Maintenance	562 942	
			General expenses	10 159 466	
			Bulk Purchases	-	
			Capital Credit Purchases (Capital Credit Purchases refers to additions of Intangible Assets and Property, Plant and Equipment)	780 160	
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		11%	R2 469 671 relates to Unauthorised Expenditure: Refer to the Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2015 for detailed explanations.
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	6 507 215	
			Total Operating Expenditure	58 419 002	
			Taxation Expense	-	

APPENDIX H **ZF MGCAWU DISTRICT MUNICIPALITY** **RATIO ANALYSIS**

30 June 2015

RATIO		NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS
3	Remuneration as % of Total Operating Expenditure	25% - 40%		72%	The only function of the district is to render support to Local Municipalities, therefore ZFM need the personnel capacity to render these services.
			Employee/personnel related cost	38 692 654	
			Councillors Remuneration	3 190 198	
			Total Operating Expenditure	58 419 002	
			Taxation Expense	-	
4	Contracted Services % of Total Operating Expenditure	2% - 5%		0%	ZFM has limited contracted services.
			Contracted Services	27 615	
			Total Operating Expenditure	58 419 002	
			Taxation Expense	-	

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		196%	Total Capital Expenditures can be funded by internally generated funds and borrowings.
			Internally generated funds	948 846	
			Borrowings	579 311	
			Total Capital Expenditure	780 160	
2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		122%	Total Capital Expenditures can be funded by internally generated funds.
			Internally generated funds	948 846	
			Total Capital Expenditure	780 160	
3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		2%	ZFM has limited own source of revenue as all the functions were transferred to Local Municipalities.
			Total Revenue	53 451 210	
			Government grant and subsidies	52 502 364	
			Public Contributions	-	
			Capital Grants	-	

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		65%	Cost containment measures were implemented without influencing service delivery which is support services. The fleet was not replaced as budgeted for due to unsuccessful tender processes.
			Actual Capital Expenditure	780 160	
			Budget Capital Expenditure	1 203 500	
2	Operating Expenditure Budget Implementation Indicator	95% - 100%		104%	Refer to the Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2015 for detailed explanations.
			Actual Operating Expenditure	58 419 002	
			Budget Operating Expenditure	56 334 167	
3	Operating Revenue Budget Implementation Indicator	95% - 100%		92%	The R3.2 million disposal of the 2 buildings did not realised during 2014/15 financial year as budgeted for.
			Actual Operating Revenue	53 451 210	
			Budget Operating Revenue	58 352 500	